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INTRA-AFRICAN TRADE
TRADE AMONG SUB-SAHARAN AFRICAN COUNTRIES
CURRENT FLOWS AND PROSPECTS

E/NAIROB

INTRODUCTION [1]

1. Africa is the least developed region in the world and African economies are characterized by relatively strong trade ties with developed market economies. Recent evaluations of the impact of external factors on the achievement of economic development in Africa show that substantial increases in trade exchanges with developed market economies over the last twenty years and before have failed to have a corresponding favourable impact on the socio-economic development either of the region as a whole or of individual countries. On the contrary the terms of trade of many countries have in fact been deteriorating steadily as a result of persistent inflation and recession in the developed countries which have adversely affected the international demand of Africa's traditional exports and tremendously increased the unit prices of goods imported by African countries.

2. Even though the interdependence of the world economy is an acknowledged fact there has been no real effort by the international community to improve the international economic environment within which African countries can effectively implement their development policies. It has become more and more obvious that African development policies should first of all be based on the internal needs and socio-economic realities of the continent. In other words, the development engine should come primarily from within at the national, subregional and regional levels.

3. The peculiar situation of African countries and the unviability of individual domestic markets and economies call for the development of intra-African co-operation and integration for the attainment of collective self-reliance as called for by the Lagos Plan of Action. Intra-African trade is meant to constitute the mainstay of the present African development strategy, both as a means of diversifying the overall trade of the region and of concretizing self-reliance and assisting in the economic development of Africa.

4. The purpose of this paper is to describe the structure of intra-African trade first, and secondly to analyse the state of intra-African trade and its current flows, diagonose the obstacles to the promotion of intra-African trade and identify the potential for expanding it.

1/ Analysis in the document are based on statistical data available in document E/CN.14/STAT/SER.C/3 and the statistical compendium on intra-African trade. Both documents are distributed along with this paper.

CHAPTER I

THE CURRENT STATE OF INTRA-AFRICAN TRADE 2/

A. Overall trends of intra-African trade

5. An analysis of the state of intra-African trade reveals that not only is it at a very low level but is actually declining. In 1970, intra-African trade reached a recorded level of 7.2 per cent but since that year a declining trade set in until a low level of 3.7 per cent was recorded in 1978. The latest estimates show that intra-African trade as a proportion of the region's total trade has been around 4 per cent (see table 1). The importance of unrecorded border trade in Africa is not included in the aforementioned figures and could substantially change the level.

6. From 1970 to 1982, African imports originating in the African region as a percentage of total African imports registered a higher proportion than that of exports, except for 1978 when the share of African exports to the African region was higher than the percentage share of imports. From 8.1 per cent in 1970 intra-African imports as a percentage of total Africa's imports fell to less than 4 per cent for the last five years and intra-African exports for the same period followed more or less the same declining pattern and the latest estimates indicate that they were 4 per cent and under in the last four years.

7. The declining trends of intra-African trade are a result of inter alia:

- the prevailing inward looking import substitution policies (which mainly affect exchanges of manufactured goods);
- the preference for extra-regional transactions (imports and (exports);
- the non availability of goods within Africa;
- the prevailing cash hard currency crisis.

2/ Even though many attempts were made to dichotomize the continent in Northern and Sub-Saharan Africa (See BERG Report and various international agencies), we hold the view that Africa North and South the SAHARA should be dealt with as a whole. The diversity between the various African countries calls for an integrated approach based on their complementarities. Trade links between North Africa and Sub-Saharan are effective in many products and their potential is considerable in timber, wood, wood items, fruits and vegetables, mineral fuels, fish and fish products, hides and skins, leather and groundnuts etc.

8. In addition to these causes, it is interesting to note that the declining trade in intra-African trade actually corresponded to the period of accentuated monetary instability in the world, particularly from the early 1970's and the prolonged recession in developed market economies from 1974 which decreased the expected demand for and prices of their major export products, resulting in the prevailing cash hard currency crisis and a reduction of Africa's overall purchasing power. The declining trend of intra-African trade also came along with the shift in Africa's demand towards increasing imports of capital goods and industrially produced components and raw materials such as synthetics, plastics, rolled metal products, most of the industrial ventures being in the light sectors requiring inputs unavailable in the region and giving insufficent attention to the processing of locally available raw materials. The industrialization pattern mainly transmitted growth to the industrialized countries and did not generate enough resources for the financing of intra-African trade. This was aggravated by the sharp rises in oil prices which adversely affected the ability of non oil producing African countries to import not just from outside but also from within Africa what can be said with a fair amount of certainty is that the low level of intra-African trade and the declining trend are manifestations of the existence of obstacles to intra-African which will be further analysed in another section of this paper after describing more closely intra-African trade in the light of its present flows including its commodity composition and its geographical distribution.

B. Currents flows of intra-African trade

9. An analysis of the structures and flows of intra-African trade reveals that they are subregionally-oriented, based on limited exchanges in long distance trade in terms of products coverage and number of partner-countries; the level of transactions is rather low and the products exchanged are mainly agricultural and food items.

"Subregionalization" of intra-African trade flows

10. Subregionalization of trade means that major trading partners of the countries are most of all their immediate neighbours or countries within the same subregional grouping whether the latter is integrated or not.

11. Recorded trade of seven West African countries including Benin, Cape Verde, Ivory Coast, Liberia, Nigeria, Senegal, Togo for the year 1970 revealed that their intra-subregional trade represented more than 75 per cent of their total intra-African trade. Out of total exports to developing Africa amounting US$ 521 [illegible] 000. These countries sold to ECOWAS partners for 428 951 000 U.S. dollars and bought US$ 293 439 000, their total imports from developing Africa being US$ 1 422 195 000.

12. The North African countries' intra-subregional trade for the same period was about 50 per cent their total intra-African trade i.e. US$ 592 548 000 out of US$ 1 227 857.

13. The Eastern and Southern African subregion followed more or less the same pattern with a ratio of about 75 per cent for reporting countries including Botswana, Djibouti, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Seychelles and Tanzania. The only exception to this sub-regionalization is Central Africa whose trade with Eastern and Southern African countries is more important than its own intra-subregional trade, its imports from Eastern and Southern Africa represented US$ 85 642 000 mainly from Kenya (25 970 000), Zimbabwe (35 574 000) and Zambia (14 237 000); for the same period intra-subregional imports of Central Africa were US$ 59 975 000. The figures for exports were respectively US$ 55 775 000 to Eastern and Southern Africa and US$ 87 102 000 at the Central African subregional level.

Long distance trade

14. With regard to other aspects of intra-African trade, there is considerable reduction in number of substantive partners and limited products covered. Partners and volume of trade are far more important within the same subregion or with contiguous subregions than with distant subregions: North African countries' intra-trade in 1978 amounted US$ 592 546 000, their trade with West Africa their immediate neighbours represented US$ 219 806 000 while trade with Central and Eastern-Southern Africa were respectively US$ 111 166 and US$ 131 175. For West Africa the figures were respectively US$ 722 390 000 for intra-subregional trade, trade with North Africa was US$ 136 741 000 while Eastern and Southern Africa traded with West Africa only for US$ 18 753 000. Trade between West and Eastern-Southern Africa is very often on a limited range of products: Mauritania's imports from Malawi is exclusively unmanufactured tobacco. The only export of Kenya to Ghana is cereals and preparations. East African supplies to Ivory Coast (from Kenya and Tanzania) were cigarettes and Agave fibers and waste. The same trade pattern (limited range of products) applies to distant trade of the majority of African countries.

Commodity coverage of intra-African trade 3/

15. Products identified as being traded among African countries are mainly five hundred most of which belong to S.I.T.C. Section 0, 1, 2, 3 and 4. Food and live animals, beverages and tobacco, crude materials, mineral fuels, animal and vegetables oils and fats constitute over 75 per cent of intra-African trade. Intraregional trade in chemicals (S.I.T.C. 5), manufactured goods (S.I.T.C 6 & 8), machinery and transport equipment (S.I.T.C. 7) are still at a rather low level.

3/ (See list in annex and ECA Statistical compendium on intra-African trade and ECA Foreign Trade Statistics for Africa, E/CN.14/STAT/SERC/3).

Unrecorded border trade

16. Unrecorded border trade in Africa is very rarely dealt with in studies on intra-African trade, although in some cases its impact might be as important as the officially identified flows of intra-African trade. The present artificial borders of African countries inherited from colonial powers could not totally destroy ethnographic structures, traditional complementarities and trade networks. Unrecorded border trade is even being reinforced by differences among the existing African political regimes and their economic contradictions including customs and fiscal regulations, price differentials, different trade regulations exchange rates and monetary policies. Unrecorded border trade flows are unavoidable the only way of coping with its adverse effects is to accelerate integration among neighbouring countries and to effectively harmonize economic policies with a view to providing a legal framework to the "genuine African common market" already established by border traders.

C. Obstacles to the expansion of intra-African trade

17. There are numerous factors limiting the expansion of intra-African trade and unless these obstacles are identified and removed and the relevant institutions and infrastructures to facilitate such trade are introduced and actually implemented at both the regional and subregional levels, intra-African trade may actually continue decreasing. Demand-supply divergence, supply constraints (qualitative and quantitive), protectionist trade policies including tariff and non-tariff barriers, inadequacy of transport and marketing facilities, monetary problems.

1. Demand/supply divergence

18. One of the fundamental factors in the low-level of intra-African trade is the divergence between African production structures and demand patterns. Most African countries are primary producers whereas their most pressing needs are for manufactured goods in which developed countries at present play a dominant role. The manifestations of under-development are here expressed as the divergence in the pattern of domestic/subregional resource use, domestic or subregional demand and needs. Thus, the principal goal must be to seek a linkage between production, demand and consumption. To the extent that there are serious divergences between production structures and demand patterns within the African region, this represents a formidable obstacle to the promotion of intra-African trade. Therefore, production in African countries should be oriented towards African markets.

19. The expansion of intra-African trade is also hindered by a variety of supply constraints which arise because of weaknesses in quality controls particularly in manufactured goods. Prospective importers will naturally look for quality goods at reasonable prices. Some manufactured products originating in African countries are of poor quality and are sometimes

overpriced thereby making them uncompetitive within the African region. The fact that quality and technical standards including standards of measurement are not harmonized within the African region constitutes another set of obstacles to the promotion of intra-African trade.

20. Another obstacle to intra-African trade related to supply constraints is concerned with insufficient utilization of local or subregional raw materials with the consequent low value added and difficulty in satisfying rules of origin requirements in cases where subregional integration and economic co-operation schemes have been established. This situation is manifested by unreliability of African supplies which, in turn, points to the insufficiency of planning of specialization and subregional complementarity to ensure long and economic production runs at subregional or regional levels. Intra-African trade depends upon the availability of goods produced within the region at reasonable prices. In addition cost structures of individual African products are uncompetitive compared to similar products from developed market economies. Whatever the reasons are for such uncompetitive cost structures in neighbouring African countries as compared to cost structures in developed countries, the fact is that such differences compel importers to depend on supplies from abored.

21. Africa is generally a net exporter of products classified as food and live animals. The region is at the same time a net importer of processed products falling under this category. For instance, Africa imported canned meat valued at US$ 83 556 000, US$ 78 811 000 and US$ 83 701 000 and exported canned meat valued at US$ 14 242 000, US$ 13 203 000 and US$ 14 646 000 in 1981, 1982 and 1983 respectively. The disparities between African imports and exports of sausages, canned meat, and prepared/preserved meat as shown by large trade deficits partly confirm the arguments advanced above on the inadequacy of production structures in terms of reliability of supplies, and uncompetitiveness of cost structures. The raw materials from which these imports are produced are available in abundance within the African region as evidenced by the fact that the African region is a net exporter of live animals. Part of the explanation for trade deficits lies in the inadequacy of marketing and physical infrastructures, which is discussed later on.

22. The same is true of other trade items in the classification of food and live animals. The import deficits represented by the differentials between imports and exports of milk (condensed, dry, fresh), butter, and cheese and curd indicate that supply constraints are a major obstacle to intra-African trade and that demand for these items in the region is high. In the case of canned meat or meat prepared and preserved, only seven African countries (Ethiopia, Kenya, Madagascar, Senegal, Swaziland, the United Republic of Tanzania and Zimbabwe) were exporters although their exports fell far short of the demand for these items. Only three countries (Kenya, Madagascar and Senegal) export sausages, mainly to Europe.

23. A few African countries produce and export some of the products covered by the category "Food and live animals". A sample of these products and the countries that produce and export them is as follows:

Eggs in shell: Kenya, Ethiopia, Gabon and .

Cereals: Zimbabwe, Niger, Sudan, Mozambique, Morocco, Malawi, Madagascar, Kenya, Ivory Coast and Egypt.

Wheat + flour + wheat equivalent: Ivory Coast, Kenya and Tunisia.

Maize: Zimbabwe, Kenya and Zambia.

Potatoes: Algeria, United Republic of Cameroon, Egypt, Ethiopia, Ivory Coast, Kenya, Morocco, Senegal, United Republic of Tanzania and Tunisia.

Tomatoes: Morocco, Senegal, Liberia, Ivory Coast and Egypt.

Oranges, tangerines etc.: Algeria, Egypt, Morocco, Senegal and Tunisia.

Cottonseed oil: Kenya, Senegal, Burundi, Egypt, Ethiopia, Nigeria, Sudan, United Republic of Tanzania, Mauritius and Upper Volta.

Animal oil + fats + grease: Kenya.

Bananas: Angola, United Republic of Cameroon, Cape Verde, Equatorial Guinea, Ethiopia, Ivory Coast, Madagascar and Senegal.

2. Tariff and non-tariff barriers

24. All African countries use tariff and non-tariff barriers to regulate the movement of goods among themselves and between them and the rest of the world. The reasons given for the use of tariff and non-tariff barriers are many and varied. The more common arguments seem to be national security, revenue considerations, protection of infant industry to promote diversification of national economies or promotion of self-reliance. Whatever the merits or demerits of these arguments, the point is that tariff and non-tariff barriers are among the many obstacles to the expansion of intra-African trade. This factor is relevant since African countries discriminate against each other in the use of these policy instruments in particular to protect textile industries which do not compete with overseas but with other African industries.

25. Alongside tariff barriers, each African country utilizes quantitative barriers and prohibitions to frustrate the movement of goods across its national boundaries. Import and export licences and foreign exchange licences

are forms of non-tariff barriers. A number of African countries requires importers and exporters to stipulate import sources and export destinations. Others require advance import deposits as well as imposing special charges for acquiring foreign exchange and import licences. The justification for any of these forms of trade control is the same or similar to that for imposing tariffs. The important point to be made here is that while such barriers are applied to imports from overseas and other African countries, such measures tend to frustrate intra-African trade more severely than trade with developed countries not only because of better knowledge of and, in most cases, better reputation of goods originating in the latter but also the numerous trade promoting incentive offered by developed countries such as availability of credit arrangements to finance African imports from abroad. Such arrangements are not available for intra-African trade.

3. Transport bottlenecks

26. Intra-African trade is also hampered by the very high transport costs between African countries. These costs are a result of the inadequacy of physical infrastructures such as railways and roads. The inadequacy of transport and storage facilities at the national and subregional levels reduces the volume of internal and international trade. The inadequacy of transport, storage and communications facilities in Africa constitutes yet another set of obstacles to the expansion of intra-African trade. It is sometimes easier and even faster for any African country to import goods from Europe than from a sister country in the same subregion just as a result of the inadequacy of transport.

4. Marketing problems

27. Even when the above constraints were removed, intra-African trade would still be faced with marketing problems. First, there is a serious lack of information about the availability of African products. Producers/exporters and consumers/importers have not enough information on markets for their products and the availability of products respectively. Market conditions in any one African country are largely unknown to the majority of African countries. Closely related to this problem is the lack of marketing know-how and the inadequacy of funds for marketing, complicated export and import procedures and documentation, insufficiency of export incentives and the absence of strategies for making African traders direct their commercial efforts towards African markets. These problems indicate that the African region lacks adequate trade promotion arrangements. It is these African institutions that should provide information on African products, assist African traders in directing their efforts towards African markets, assist African countries in devising marketing and in simplifying export and import procedures and documents, etc.

5. Monetary and payments obstacles

28. In addition to the afore-mentioned, lack of credit arrangements to encourage intra-African trade, the inadequacy of clearing and payments arrangements between or among African countries and the inconvertibility of national currencies constitute another obstacle to the promotion of intra-African trade.

CHAPTER II

PROSPECTS FOR INTRA-AFRICAN TRADE - POTENTIAL AND IMPACT OF MEDIUM AND LONG TERM DEVELOPMENT POLICIES ON INTRA-AFRICAN TRADE

A. The potential of intra-African trade

28. The analysis of the current situation of intra-African trade has revealed that 95 per cent of African trade is with countries outside the region. Intra-African trade accounts for less than 5 per cent of total African trade. Notwithstanding this, the potential for the expansion of such trade is substantial in any products

1. Food, food products and live animals

30. The African region is presently facing an acute food deficit. The excess of imports over exports for the last ten years shows an increasing demand trend for food items. An analysis of total African trade deficits and surpluses in selected commodities indicated substantial market potentials for meat and meat products, milk and dairy products, cereals and related items, fruits and vegetable, coffee, groundnut oil, cocoa, fish and fish products etc.

2. Meat and meat products

31. At present a considerable proportion of intra African trade in meat and meat products is unrecorded. However live animals occupy a predominant place in the trade of many African countries. The main livestock involved are bovine cattle, sheep, lamb, goats and poultry. A good proportionof the existing trade is also confined to neighbouring countries

32. In spite of the sporadic trade relations, intra African trade in meat and meat products is of immense importance to many African countries. Currently meat deficit countries of the region are compelled to import from non-African countries. With the increasing demand for meat within Africa, growing markets can be guaranteed and the potential for intra-African trade is considerable. Over the last few years the annual consumption of meat in Africa was 11 kg. per person whereas the world animal consumption average level was 30 kg. per person therefore to bring the average African needs up to international standard, Africa will have to triple its annual production in order to secure an extra 9 millions tons and more since the standards of living are expected to rise.

33. According to various studies, the meat industries in Africa are said to have a high trade potential. The largest exporters 3/ of canned meat are Kenya, Zimbabwe, the United Republic of Tanzania, Madagascar, Ethiopia, Swaziland and Somalia. The bulk of these exports were destined for the European markets. While some African countries exported their canned meat to European and Middle East markets, African importers were supplied principally from Europe, Latin America and New Zealand. The reasons for this pattern of trade in canned meat are said to include transport facilities, old-established trade links, credit facilities, taste, brand loyalty and quality requirements of the traditional African consumer groups particularly those residing in the urban areas.

34. It is also clear from FAO records that Africa is a net importer of sausages and prepared and preserved meat. Angola, Botswana, Ethiopia, the Sudan, Madagascar, Chad, Kenya, Swaziland and Zimbabwe are the largest exporters of fresh, chilled and frozen meat (comprising beef and veal, mutton, pig meat and poultry). They export 35 per cent of total African exports to countries in Europe, 40 per cent to the Middle East and only 25 per cent of their total export in fresh, chilled and frozen meat is destined to other African States. This situation should be compared with the fact that the largest importers of fresh, chilled and frozen meat (ie. Zaire, the Libyan Arab Jamahiriya, the Ivory Coast, Egypt, Zambia and Mauritius) and the minor importers (Gabon, Seychelles, Nigeria, etc.) obtain their supplies mainly from some European countries, Latin America and New Zealand.

35. The potential of intra-African trade in meat is great partly because of the relatively large population of bovine cattle, sheep and goats, pigs and poultry partly because of the increase in demand for fresh meat, processed meat products with the increasing purchasing power in many African countries and also partly due to ever-increasing marketing difficulties in traditional markets of Europe and the stiff competition from other regions that African meat faces in the Middle East.

36. Therefore, trade promotion organizations (national or subregional) can exploit this potential by identifying markets and sources of supply within the African region. Identification of markets would stimulate and expand production with the consequent increase in intra-subregional or intra-African trade in meat. This is possible because of relative similarities of consumer preferences and tastes, the ease with which products can be adjusted to local requirements at the national and subregional levels and the possibility of lowering consumer prices by adjusting quality to actual consumer needs in a particular country or subregion thereby increasing not only the purchasing power but also the size of the market.

3/ See FAO Trade Yearbooks 1976-1983.

3 Milk and dairy products

37. The above analysis equally applies, mutatis mutandis, to the potential for intra-African trade in butter, cheese and curd, condensed, dry and fresh milk and eggs in shell. The basic raw materials of these products are cattle and poultry, the production of which varies from country to country and from subregion to subregion. Countries like Egypt, the Sudan, Zimbabwe, Malawi, Zambia, Botswana and the United Republic of Tanzania are producers of butter and these Kenya was the largest exporter of butter during the period 1976-1978, followed by Botswana and Senegal. Consumption of butter shows an increasing trend as measured by increasing narrowing of the excesses of imports over exports shown in table 2/. These trade deficits in butter call for identification of surpluing areas and orientation and establishment of production processes directed to these markets this is a task that can be assigned to trade promotion organizations.

38. The potential of intra-African trade in condensed, dry and fresh milk can similarly be exploited by identifying present and potential producers. The demand for milk is very high in Africa as shown in table 2, where trade deficits for the African region stood at 942 030 000 in 1976 and increased to 1697 282 000 in 1978. Kenya was the only net exporter of milk during the period 1976-1978. Although Senegal and the Ivory Coast did export some small quantities of milk, they are large net importers while almost all other countries are duly importers of milk, mainly from Europe. Ethiopia imports milk mainly from Kenya.

4 Cereals and related products

39. The potential of intra-African trade in cereals and related products such as maize and rice is limited by production constraints. The trade deficits shown in table 2 simply mean that production falls far short of consumption. While this would seem, at first sight, to limit possibilities for regional trade expansion in these commodities, there is much room for trade at the intra-subregional level especially in particular to meet fluctuations between neighbouring countries. This is already happening to some extent among Zimbabwe, Zambia, Malawi, Botswana and Mozambique in so far as maize is concerned and among a number of countries in West Africa with respect to rice.

5 Fruits, vegetables, oranges, vegetable oils and fats

40. The African region as a net exporter of fresh tomatoes, oranges, tangerines, bananas, green and roasted coffee, cocoa beans, unmanufactured tobacco, groundnut oil and cake. Only 19 African countries recorded trade in fresh tomatoes of which

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2/ FAO Trade Yearbooks 1975-1983.

the largest exporters were Morocco and Egypt. Although table 2 does not show trade in fish, the development of the fish trade in the African region is largely hampered by preservation and trasport facilities. The bulk of fish trade in Central and West Africa is carried out in the form of dried, salted and smoked fish.

41. The principal producers of tinned or bottled fruits and vegetables export to the EEC market. Both the Ivory Coast and Kenya enjoy duty-free access to the EEC market particularly when they export pineapples. Morocco exports to France and the Federal Republic of Germany, while Tunisia exports canned vegetables mainly to Europe. Prospects for increasing intra-African trade arise from increasing restrictions in European markets. However, while some canned products, such as tomato paste are becoming popular in West Africa in that tomato paste is being used as an ingredient in the main dishes, relatively very low purchasing power in most African countries represents a serious obstacle to the expansion of intra-African trade in canned or bottled fruits and vegetables.

42. African imports of cottonseed oil are about 20 times greater than exports. Intra-African trade in cottonseed oil is dominated by the Sudan as an exporter and Egypt as an importer. To the extent that African demand for cottonseed oil is largely met by imports from outside the region, there is big scope for production and diversification particularly in the United Republic of Tanzania, Uganda, Mozambique and Angola.

6. Raw materials for basic industries (copper, iron ore, manganese, phosphates, cotton, sugar, bauxite, tin, zinc, potash, sulphur, fertilizers and acid) b/

43. Due to lack of market organization, specially as regards supply, the rigidity of supply, arising from the lack of processing industries and the structure of production, the effects of the purchasing monopolies of developed countries, the emergence of synthetic substitutes, the trends of African exports in raw materials for basic industries were rather sluggish.

44. African imports of raw materials for basic industries are insignificant and come from outside the continent due to TNC's control over the market and the absence of processing industries which prevents the domestic utilization of raw materials in Africa hence intra African trade could not develop under these conditions. It is nevertheless expected that African industries in the coming years will increasingly diversify and rely on the processing of raw materials available in the continent. It would seem that under these conditions intra-African trade in raw materials for basic industries will be bound to develop by basing itself on the potential of African production in this field and the growing demand for industry in the region.

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b/ For further details see ST/ECA/IAT/1, 2, 3, 4, prospects of intra-African trade in raw materials for basic industries ECA, May 1982.

7. Manufactured goods

45. The analysis of the structure of African trade revealed that the African region was a large net importer of manufactured products such as heavy petrochemical products, chemicals and pharmaceuticals, fertilizers, aluminium items, products of iron and steel industries, wood and wood items, pulp and paper, leather and leather goods, agricultural implements, zinc and tin products, hardware etc...

B. Prospects of Intra-African Trade : Development policies and their impact on intra-African trade

1. Restructuring of African markets

46. African countries now have a clear idea of the importance of subregional markets in their strategy for industrialization and the promotion of their trade. The political will to translate this awareness into reality was concretely demonstrated in the formation of subregional groupings with the aim of phasing out trade barriers of all kinds and promoting investments on a subregional scale :

(a) The membership of the Economic Community of West African States (ECOWAS) includes all 16 countries of the subregion. This calls for a strengthening of the groundwork for integration already laid by such subregional groupings as CEAO and the Mano River Union. Some of the Community's major projects are in the initial phase of implementation (e.g. telecommunications and road networks), opening the way for increased trade. Efforts are currently being made to harmonize the activities of the three organizations. The gradual liberalization of trade and the establishment of Community and multinational enterprises (whose constitutions have already been laid down by CEAO) are expected to contribute to the conversion of existing national markets into one vast West African Market.

(b) In eastern and Southern Africa, 14 countries have already signed the Treaty establishing the Preferential Trade Area for Eastern and Southern African States (PTA) which envisages the reduction and elimination of trade barriers, the establishment of a subregional development bank and co-operation in agriculture and industry through the establishment of multinational production enterprises.

(c) In Central Africa, the Treaty establishing the Economic Community of Central African States (ECCAS) has been signed. The provisions of the Treaty envisage the liberalization of trade and effective co-operation by member States in the productive sectors (industry and agriculture).

47. With this brief overview of subregional organizations concerned with economic integration one can see that Africa south of Sahara has already laid the foundations for three major subregional markets together covering its entire territory and

promising to create the right conditions for the economic development of their member States. On the whole, the establishment of such subregional organizations represents an improvement in terms of geographical coverage and especially of substance, on the policy of integration through trade alone which was the starting point for African bodies seeking co-operation in the 1960s. Africa's current economic integration policy follows a multi sectoral approach covering production, trade and allied transport facilitation mechanisms, communications, finance and other areas.

2 Trade facilitation mechanisms

Financial mechanisms

48. The following mechanisms and institutions have been established to meet the financing requirements of productive activities and the associated communications and payments mechanisms for facilitating trade:

(a) Financing of production activities

49. The West African Development Bank (BOAD), the Central African Development Bank (BEAC) and the East African Development Bank, Trade and Development Bank for Eastern and Southern African States are subregional financing institutions created to support production activities. At the regional level the African Development Bank established under the aegis of ECA has endeavoured from the outset to finance infrastructure and productive investments. All these financial institutions should be strengthened in terms of structure and intervention capacity in order to increase existing security deposits and cope with the growing demand for financing in the African economies.

(b) Payment mechanisms

50. One of the impediments to the development of intra-African trade is the need to use increasingly scarce foreign exchange resources to finance trade transactions. In order to reduce the dependence of intra-African trade relations on foreign interventions, ECA has endeavoured to establish clearing and payments mechanisms at the subregional level, the final objective being to form an African Payments Union:

(i) In West Africa the West African Clearing House serves all ECOWAS countries.

(ii) In Central Africa, the Chambre de compensation des états de l'Afrique centrale intends to channel payments for the Economic Community of Central African States.

(iii) The clearing house for countries members of the Preferential Trade Area for Eastern and Southern African States has been inaugurated, with the Reserve Bank of Zimbabwe designated to serve as its interim;

(iv) Initial studies for the formation of an African Monetary Fund are now in progress.

Regional trade promotion institutions

51. In addition to the payments and clearing arrangements, the following trade promotion mechanisms have set up to deal with specific aspects of relevance to intra-African trade:

(a) The African Regional Organization for Standardization (ARSO) whose role is to harmonize standards and set regional standards;

(b) The Association of African Trade Promotion Organizations (AATPO) whose stated purpose is to provide technical support for its members and coordinate their trade promotion, information, marketing and market study activities;

(c) The African Federation of Chambers of Commerce which is responsible for establishing and/or strengthening chambers of commerce whose role as investment and trade promotion agencies should receive more attention. The Federation also intends to back up trade fairs and exhibitions and to offer guarantee to the various subregional transit agreements in the continent;

(d) The African Trade Centre, was created as part of the secretariat of the Economic Commission for Africa to deal with specific problems of trade promotion at regional level. It was established in implementation of resolution 199 (IX) adopted at the ninth session of the Economic Commission for Africa held in 1969. Resolution 62 (V) of the first meeting of the ECA Conference of Ministers, held in February 1971, defined the principles to be observed by the Centre, and these were later enlarged upon in notes by the Executive Secretary of ECA. The note dated 26 January 1976 defines the functions of the Centre as:

(i) Collecting and disseminating information, and operating, a regional trade information service;

(ii) Assisting ECA member States in trade promotion and market surveys;

(iii) Conducting activities to establish and/or strengthen national trade promotion institutions;

(iv) Supporting the establishment and strengthening of associations of trade promotion organizations and of institutions offering training in techniques for promoting and streamlining trade (import and export) at the national, subregional and regional levels;

(v) Organizing African trade fairs in conjunction with OAU;

(vi) Planning, organizing and carrying out training activities (courses, colloquia, seminars, workshops etc.)

(vii) Engaging in trade facilitation activities in co-operation with UNCTAD (PALPRO).

CONCLUSION

52. To sum up, in the short and medium term, prospects for intra-African trade appear generally good especially for some products such as meat and meat products, vegetable oil, fish products (especially canned and dried fish), shoes, cotton textiles, milk powder, fruits and vegetables, hides and skins, cement. This is so because of ensured profitability in terms of economic and institutional terms the ease with which products can be exported to local markets, the near absence of rigid sanitary requirements, the ease with which trade information can be obtained because of bilateral trade agreements and sub-regional integration schemes actually established and envisaged throughout the African region, and the increasing awareness to promote intra-African trade as a result of the directives given by the Heads of State and Government in the Lagos Plan of Action.

53. There is great potential for intra-African trade in industrial and agricultural products provided trade promotion organizations reorientate their trade efforts towards African markets. There must also be a political commitment by African countries to trade with other African countries. Imports of industrial products from outside the African region could significantly reduced or replaced by those produced within the region if some countries of African countries were to establish and protect their markets. As clearly spelt out in the Lagos Plan of Action, the expansion of intra-African trade in industrial products will also depend upon the extent to which jointly owned African multinational enterprises are established among African countries to deal specifically in such items.

54. To exploit fully the potential of intra-African trade, it will be necessary for feasibility studies to be carried out, inter alia, in order to draw up country production profiles. From these profiles, trade complementarities could be made. The sources of supply for various items in the African region should then be identified. Using these profiles, the amount of imports from which two African countries can be given an incentive to trade with each other could be determined. Clearly, a list of products which African trade promotion organizations should concentrate on in intra-African trade marketing efforts.

55. Intra African trade will significantly improve if necessary measures are taken and institutional arrangements agreed upon for the following:

(a) The attainment of monetary harmonization which will reduce and cancel the adverse effects of currency fluctuations and render trade liberalization mechanisms effective as envisaged in the proposed African Monetary Fund;

(b) The planning and co-ordination of production through multinational co-operation enabling the increased processing of agricultural and industrial raw materials to create the diversified industrial base without which intra-African trade will never expand;

(c) The reorientation of trade distribution networks and their effective control by African private and public business organizations with a view to reducing the adverse impact of TNC's on African economies;

(d) The establishment and/or strengthening of trade promotion mechanisms, including trade information, with a view to up-grading marketing techniques and absorption capacity for African processed goods within the continent.

Table 1. Share of intra-African trade in total trade of developing African countries (values in million US dollars)

Year	Total trade (Africa with world)			Intra-African 1/ trade			Intra-African trade as percentage of total trade %		
	Imports	Exports	Total (Imports + exports)	Imports 2/	Exports	Total (Imports + exports)	Imports	Exports	Total (Imports + exports)
1970	11 070	12 595	23 665	739	672	1 411	6.68	5.34	5.96
1971	12 803	12 995	25 798	773	672	1 476	6.04	5.41	5.72
1972	13 902	15 376	29 278	895	814	1 709	6.44	5.29	5.84
1973	18 330	21 584	39 914	1 166	1 060	2 226	6.36	4.91	5.58
1974	28 419	39 530	67 949	1 812	1 647	3 459	6.38	4.17	5.09
1975	37 944	35 260	73 204	2 116	1 924	4 040	5.58	5.41	5.52
1976	38 200	42 496	80 696	1 537	1 397	2 934	4.02	3.29	3.64
1977	48 062	48 977	97 039	2 036	1 851	3 887	4.24	3.78	4.01
1978	57 060	45 259	102 319	1 894	1 722	3 616	3.32	3.80	3.53
1979	57 427	67 404	124 831	2 922	2 675	5 597	5.11	3.95	4.48
1980	75 338	93 592	169 930	3 159	2 872	6 031	4.14	3.07	3.55
1981	85 158	77 418	162 576	3 352	2 047	6 399	3.94	3.94	3.94
1982	75 484	69 522	145 106	3 081	2 801	5 882	4.03	4.02	4.03
1983	...	...	...	2 201	2 001	4 202	...	...	...

1/ Excluding Zimbabwe.

2/ Imports estimated by adding 10 per cent to exports.

Sources: (i) UN Yearbook of International Trade Statistics, 1978, 1979, 1980, 1981 and 1982 (Volume II.

(ii) UN Monthly Bulletin of Statistics, June 1984.

Table 2: Developing Afr

(thousand

		1981		Imp
		Import	Export	
Meat, fresh, chilled, frozen		735 115	108 585	716
Meat, dried, salted or smoked	(012)	12 024	1 034	14
Meat canned n.e.s.	(014)	83 556	14 242	78
of which sausages	(014.2)	16 310	403	16
Other prepared meat	(014.9)	75 113	13 361	61
Bovine cattle	(001.1)	494 483	325 426	477
Sheep, lambs and goats	(001.2)	332 756	738 626	213
Milk - condensed, dry, fresh	(002)	1036 643	8 143	880
Butter	(023)	342 241	1 390	272
Cheese and curd		125 551	232	108
Eggs in shell		101 794	667	116
Cereals (041, 045.1, 045.2, 045.9, 048)		578 829	18 881	551
Wheat + flour + wheat equivalent		362 721	847	348
Rice		1134 651	80 [illegible]	1051
Maize		871 988	65 043	784
Pulses	(054.2)	194 455	43 357	178
Potatoes		80 057	33 928	133
Tomatoes fresh	(054.4)	862	48 103	
Orange + tangerines + clean	(057.1)	6 358	777 517	6
Bananes		23 954	45 813	21
Sugar		2068 853	702 758	1253
of which refined	(061.2)	1675 102	65 416	1033
Coffee green and roes	(071.1)	280 454	2045 882	207
Cocoa beans		7 213	1543 206	5
Cocoa powder		6 176	42 048	4
Tea		271 112	247 756	267
Tobacco unmanufactured		230 505	464 110	250
Beer		95 396	7 073	41
Cotton seed oil		134 427	48	160
Groundnut oil		14 033	51 482	20
Sunflower seed oil		125 393	510	69
Olive oil		104 149	103 551	83

...a's imports and exports selected items

...of United States dollars)

...1982		1983*		Trade Balance (Export-Import) 1981	1982	1983
...t	Export	Import	Export			
...47	96 436	786 595	113 142	-625 530	-616 309	-675 453
...31	511	10 701	475	-10 990	-13 520	-10 226
...11	13 203	83 701	14 840	-79 314	-65 808	-68 053
...89	339	21 463	270	-17 310	-16 850	-21 413
...09	12 171	62 219	14 048	-61 732	-49 636	-48 170
...05	280 981	542 110	267 295	-169 054	-187 024	-274 815
...56	256 273	242 742	202 237	-82 632	94 917	-40 485
...78	3 067	899 717	1 032	-1027 500	-907 611	-898 685
...81	2 062	300 137	1 900	-340 851	-270 113	-298 237
...13	1 382	143 579	70	-125 319	-108 831	-143 509
...02	535	104 147	790	-101 132	-117 637	-103 357
...93	17 142	486 170	16 123	-581 240	-534 856	-441 087
...89	301	317 900	23	-362 274	-347 665	-317 860
...12	15 464	983 108	12 447	-1080 723	-1036 453	-980 661
...82	56 703	673 184	78 121	-816 945	-747 313	-800 980
...87	66 195	157 076	70 404	-150 493	-112 202	-86 672
...37	61 943	95 219	59 114	-46 129	-91 510	-36 105
...89	37 950	1 006	38 171	45 241	37 181	37 185
...93	250 581	5 823	253 194	271 159	244 218	253 571
...75	40 705	11 095	32 678	21 859	10 030	21 544
...33	561 201	1096 803	546 073	-1364 095	-872 832	-347 730
...45	43 387	896 246	28 684	-1809 784	-909 486	-868 562
...24	2220 953	271 697	2144 802	1765 226	2013 129	1872 705
...77	1311 230	6 402	1272 353	1536 073	1305 653	1265 951
...71	25 510	5 920	29 809	35 678	20 539	23 889
...78	272 898	260 875	311 088	-23 354	-5 220	50 213
...71	423 586	272 342	379 326	233 605	173 285	108 984
...68	6 242	37 660	6 327	-48 323	-33 806	-31 533
...63	2 142	89 032	-	-134 376	-156 021	-89 032
...16	129 449	17 665	109 540	37 448	109 063	81 655
...90	483	145 150	-	-124 663	-89 157	-145 150
...2	104 236	98 184	37 854	-536	21 124	-61 330

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INTRA-AFRICAN TRADE: CURRENT FLOWS AND PROSPECTS

INTRODUCTION 1/

1. Africa is the least developed region in the world and African economies are characterized by relatively strong trade ties with developed market economies. Recent evaluations of the impact of external factors on the achievement of economic development in Africa show that substantial increases in trade exchanges with developed market economies over the last twenty years and before have failed to have a corresponding favourable impact on the socio-economic development either of the region as a whole or of individual countries. On the contrary the terms of trade of many countries have in fact been deteriorating steadily as a result of persistent inflation and recession in the developed countries which have adversely affected the international demand for Africa's traditional exports and tremendously increased the unit prices of goods imported by African countries.

2. Even though the interdependence of the world economy is an acknowledged fact there has been no real effort by the international community to improve the international economic environment within which African countries can effectively implement their development policies. It has become more and more obvious that African development policies should first of all be based on the internal needs and socio-economic realities of the continent. In other words, the development engine should come primarily from within at the national, subregional and regional levels.

3. The peculiar situation of African countries and the unviability of individual domestic markets and economies call for the development of intra-African co-operation and integration for the attainment of collective self-reliance as called for by the Lagos Plan of Action. Intra-African trade is meant to constitute the mainstay of the present African development strategy, both as a means of diversifying the overall trade of the region and of concretizing self-reliance and assisting in the economic development of Africa.

4. The purpose of this paper is to describe the structure of intra-African trade first, and secondly to analyse the state of intra-African trade and its current flows, diagnose the obstacles to the promotion of intra-African trade and identify the potential for expanding it. Details of intra-Africa trade are in Annex I.

1/ Analysis in the document are based on statistical data available in document E/CN.14/STAT/SER.C/3 and the statistical compendium on intra-African trade. Both documents are distributed along with this paper.

CHAPTER I

THE CURRENT STATE OF INTRA-AFRICAN TRADE 2/

A. Overall trends of intra-African trade

5. An analysis of the state of intra-African trade reveals that not only is it at a very low level but is actually declining. In 1975, intra-African trade reached a recorded level of 7.5 per cent but since that year a declining trend set in until a low level of 3.7 per cent was recorded in 1978. The latest estimates show that intra-African trade as a proportion of the region's total trade has been around 4 per cent (see table 1). The importance of unrecorded border trade in Africa is not included in the aforementioned figures and could substantially change the level.

6. From 1970 to 1981, African imports originating in the African region as a percentage of total African imports registered a higher proportion than that of exports, except for 1977 when the share of African exports to the African region was higher than the percentage share of imports. From 8.1 per cent in 1970 intra-African imports as a percentage of total Africa's imports fell to less than 4 per cent for the last five years and intra-African exports for the same period followed more or less the same declining pattern and the latest estimates indicate that they were 4 per cent and under in the last four years.

7. The declining trends of intra-African trade are a result of inter alia:

- the prevailing inward looking import substitution policies (which mainly affect exchanges of manufactured goods);
- the preference for extra-regional transactions (imports and exports);
- the non availability of goods within Africa;
- the prevailing cash hard currency crisis.

2/ Even though many attempts were made to dichotomize the continent in Northern and Sub-Saharan Africa (See UNRS Report and various international agencies), we hold the view that Africa North and South the SAHARA should be dealt with as a whole. The diversity between the various African countries calls for an integrated approach based on their complementarities. Trade links between North Africa and Sub-Saharan are effective in many products and their potential is considerable in timber, wood, wood items, fruits and vegetables, mineral fuels, fish and fish products, hides and skins, leather and groundnuts etc.

9. In addition to these causes, it is interesting to note that the declining trade in intra-African trade actually corresponded to the period of accentuated monetary instability in the world, particularly from the early 1970's and the prolonged recession in developed market economies from 1974 which decreased the expected demand for and prices of their major export products, resulting in the prevailing cash hard currency crisis and a reduction of Africa's overall purchasing power. The declining trend of intra-African trade also came along with the shift in Africa's demand towards increasing imports of capital goods and industrially produced components and raw materials such as synthetics, plastics, rolled metal products, most of the industrial ventures being in the light sectors requiring inputs unavailable in the region and giving insufficient attention to the processing of locally available raw materials. The industrialization pattern mainly transmitted growth to the industrialized countries and did not generate enough resources for the financing of intra-African trade. This was aggravated by the sharp rises in oil prices which adversely affected the ability of non oil producing African countries to import not just from outside but also from within Africa what can be said with a fair amount of certainty is that the low level of intra-African trade and the declining trend are manifestations of the existence of obstacles to intra-African which will be further analysed in another section of this paper after describing more closely intra-African trade in the light of its present flows including its commodity composition and its geographical distribution.

B. Current flows of intra-African trade

8. An analysis of the structures and flows of intra-African trade reveals that they are subregionally-oriented, based on limited exchanges in long distance trade in terms of products coverage and number of partner-countries, the level of transactions is rather low and the products exchanged are mainly agricultural and food items.

"Subregionalization" of intra-African trade flows

10. Subregionalization of trade means that major trading partners of the countries are most of all their immediate neighbours or countries within the same sub-regional grouping whether the latter is integrated or not.

11. Recorded trade of seven West African countries including Benin, Cape Verde, Ivory Coast, Liberia, Nigeria, Senegal, Togo for the year 1978 revealed that their intra-subregional trade represented more than 75 per cent of their total intra-African trade. Out of total exports to developing Africa amounting US$ 521 [illegible], these countries sold to ECOWAS partners for 420 991 000 U.S. dollars and bought US$ 293 400 000, their total imports from developing Africa being US$ 1 422 185 000.

12. The North African countries' intra-subregional trade for the same period was about 50 per cent their total intra-African trade i.e. US$ 592 548 000 out of US$ 1 227 457.

13. The Eastern and Southern African subregion followed more or less the same pattern with a ratio of about 75 per cent for reporting countries including Botswana, Djibouti, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Seychelles and Tanzania. The only exception to this sub-regionalization is Central Africa whose trade with Eastern and Southern African countries is more important than its own intra-subregional trade, its imports from Eastern and Southern Africa representing US$ 85 642 000 mainly from Kenya (25 970 000), Zimbabwe (25 574 000) and Zambia (14 237 000); for the same period intra-subregional imports of Central Africa were US$ 50 975 000. The figures for exports were respectively US$ 55 775 000 to Eastern and Southern Africa and US$ 17 102 000 at the Central African subregional level.

Long distance trade

14. With regard to other aspects of intra-African trade, there is considerable reduction in number of substantive partners and limited products covered. Partners and volume of trade are far more important within the same subregion or with contiguous subregions than with distant subregions: North African countries' intra-trade in 1970 amounted US$ 582 546 000, their trade with West Africa their immediate neighbours represented US$ 219 606 000 while trade with Central and Eastern-Southern Africa were respectively US$ 111 188 and US$ 131 175. For West Africa the figures were respectively US$ 722 390 000 for intra-subregional trade, trade with North Africa was US$ 136 741 000 while Eastern and Southern Africa trades with West Africa only for US$ 14 763 000. Trade between West and Eastern-Southern Africa is very often on a limited range of products: Mauritania's imports from Malawi is exclusively unmanufactured tobacco. The only export of Kenya to Ghana is cereals and preparations. East African supplies to Ivory Coast (from Kenya and Tanzania) were cigarettes and Agave fibers and waste. The same trade pattern (limited range of products) applies to distant trade of the majority of African countries.

Commodity coverage of intra-African trade 3/

16. Products identified as being traded among African countries are mainly five hundred most of which belong to S.I.T.C. Section 0, 1, 2, 3 and 4. Food and live animals, beverages and tobacco, crude materials, mineral fuels, animal and vegetables oils and fats constituted over 75 per cent of intra-African trade. Intraregional trade in chemicals (S.I.T.C. 5), manufactured goods (S.I.T.C 6 & 8), machinery and transport equipment (S.I.T.C. 7) are still at a rather low level.

3/ (See list in annex and ECA Statistical compendium on intra-African trade and ECA Foreign Trade Statistics for Africa, E/CN.14/STAT/SERC/3).

Unrecorded border trade

16. Unrecorded border trade in Africa is very rarely dealt with in studies on intra-African trade, although in some cases its impact might be as important as the officially identified flows of intra-African trade. The present artificial borders of African countries inherited from colonial powers could not totally destroy ethnographic structures, traditional complementarities and trade networks. Unrecorded border trade is even being reinforced by differences among the existing African political regimes and their economic contradictions including customs and fiscal regulations, price differentials, different trade regulations exchange rates and monetary policies. Unrecorded border trade flows are unavoidable the only way of coping with its adverse effects is to accelerate integration among neighbouring countries and to effectively harmonize economic policies with a view to providing a legal framework to the "genuine African common market" already established by border traders.

C. Obstacles to the expansion of intra-African trade

17. There are numerous factors limiting the expansion of intra-African trade and unless these obstacles are identified and removed and the relevant institutions and infrastructures to facilitate such trade are introduced and actually implemented at both the regional and subregional levels, intra-African trade may actually continue decreasing. Demand-supply divergence, supply constraints (qualitative and quantitive), protectionist trade policies including tariff and non-tariff barriers, inadequacy of transport and marketing facilities, monetary problems.

1. Demand/supply divergence

18. One of the fundamental factors in the low-level of intra-African trade is the divergence between African production structures and demand patterns. Most African countries are primary producers whereas their most pressing needs are for manufactured goods in which developed countries at present play a dominant role. The manifestations of under-development are here expressed as the divergence in the pattern of domestic/subregional resource use, domestic or subregional demand and needs. Thus, the principal goal must be to seek a linkage between production, demand and consumption. To the extent that there are serious divergences between production structures and demand patterns within the African region, this represents a formidable obstacle to the promotion of intra-African trade. Therefore, production in African countries should be oriented towards African markets.

19. The expansion of intra-African trade is also hindered by a variety of supply constraints which arise because of weaknesses in quality controls particularly in manufactured goods. Prospective importers will naturally look for quality goods at reasonable prices. Some manufactured products originating in African countries are of poor quality and are sometimes

overpriced thereby making them uncompetitive within the African region. The fact that quality and technical standards including standards of measurement are not harmonized within the African region constitutes another set of obstacles to the promotion of intra-African trade.

20. Another obstacle to intra-African trade related to supply constraints is concerned with insufficient utilization of local or subregional raw materials with the consequent low value added and difficulty in satisfying rules of origin requirements in cases where subregional integration and economic co-operation schemes have been established. This situation is manifested by unreliability of African supplies which, in turn, points to the insufficiency of planning of specialization and subregional complementarity to ensure long and economic production runs at subregional or regional levels. Intra-African trade depends upon the availability of goods produced within the region at reasonable prices. In addition cost structures of individual African products are uncompetitive compared to similar products from developed market economies. Whatever the reasons are for such uncompetitive cost structures in neighbouring African countries as compared to cost structures in developed countries, the fact is that such differences compel importers to depend on supplies from abored.

21. Africa is generally a net exporter of products classified as food and live animals. The region is at the same time a net importer of processed products falling under this category. For instance, Africa imported canned meat valued at US$ 33 556 000, US$ 78 611 000 and US$ 63 701 000 and exported canned meat valued at US$ 14 242 000, US$ 13 203 000 and US$ 14 648 000 in 1981, 1982 and 1983 respectively. The disparities between African imports and exports of sausages, canned meat, and prepared/preserved meat as shown by large trade deficits partly confirm the arguments advanced above on the inadequacy of production structures in terms of reliability of supplies, and uncompetitiveness of cost structures. The raw materials from which these imports are produced are available in abundance within the African region as evidenced by the fact that the African region is a net exporter of live animals. Part of the explanation for trade deficits lies in the inadequacy of marketing and physical infrastructures, which is discussed later on.

22. The same is true of other trade items in the classification of food and live animals. The import deficits represented by the differentials between imports and exports of milk (condensed, dry, fresh), butter, and cheese and curd indicate that supply constraints are a major obstacle to intra-African trade and that demand for these items in the region is high. In the case of canned meat or meat prepared and preserved, only seven African countries (Ethiopia, Kenya, Madagascar, Senegal, Swaziland, the United Republic of Tanzania and Zimbabwe) were exporters although their exports fall far short of the demand for these items. Only three countries (Kenya, Madagascar and Senegal) export sausages, mainly to Europe.

23. A few African countries produce and export some of the products covered by the category "Food and live animals". A sample of these products and the countries that produce and export them is as follows:

Eggs in shell: Kenya, Swaziland, Gabon and [illegible].

Cereals: Zimbabwe, Niger, Sudan, Mozambique, Morocco, Malawi, [illegible], Kenya, Ivory Coast and Egypt.

Wheat + flour + meal (mixed): [illegible], Kenya and Tunisia.

Maize: Zimbabwe, Kenya and Zambia.

Potatoes: Algeria, United Republic of Cameroon, Egypt, Ethiopia, Ivory Coast, Kenya, Morocco, Senegal, United Republic of Tanzania and Tunisia.

Tomatoes: Morocco, Senegal, Liberia, Ivory Coast and Egypt.

Oranges, tangerines etc.: Algeria, Egypt, Morocco, Senegal and Tunisia.

Groundnut oil: Kenya, Senegal, Burundi, Egypt, Ethiopia, Nigeria, Sudan, United Republic of Tanzania, Mauritius and Upper Volta.

Animal oil + fats + greases: Kenya.

Bananas: Angola, United Republic of Cameroon, Cape Verde, Equatorial Guinea, Ethiopia, Ivory Coast, Madagascar and Senegal.

2. Tariff and non-tariff barriers

24. All African countries use tariff and non-tariff barriers to regulate the movement of goods among themselves and between them and the rest of the world. The reasons given for the use of tariff and non-tariff barriers are many and varied. The more common arguments seem to be: national security, revenue considerations, protection of infant industry to promote diversification of national economies or promotion of self-reliance. Whatever the merits or demerits of these arguments, the point is that tariff and non-tariff barriers are among the many obstacles to the expansion of intra-African trade. This factor is relevant since African countries discriminate against each other in the use of these policy instruments in particular to protect textile industries which do not compete with overseas but with other African industries.

25. Alongside tariff barriers, each African country utilizes quantitative barriers and prohibitions to frustrate the movement of goods across its national boundaries. Import and export licences and foreign exchange licences

are forms of non-tariff barriers. A number of African countries require importers and exporters to stipulate import sources and export destinations. Others require advance import deposits as well as imposing special charges for acquiring foreign exchange and import licences. The justification for any of these forms of trade control is in some respects similar to that for imposing tariffs. The important point to be made here is that while such barriers are applied to imports from overseas as well as other African countries, such measures tend to frustrate intra-African trade more severely than trade with developed countries not only because of better knowledge of and, in most cases, better procurement of goods and trading in the latter but also the numerous trade promoting incentive offered by developed countries such as availability of credit arrangements to finance African imports from abroad. Such arrangements are not available for intra-African trade.

3. Transport bottlenecks

26. Intra-African trade is also hampered by the very high transport costs between African countries. These costs are a result of the inadequacy of physical infrastructures such as railways and roads. The inadequacy of transport and storage facilities at the national and subregional levels reduces the volume of internal and international trade. The inadequacy of transport, storage and communications facilities in Africa constitutes yet another set of obstacles to the expansion of intra-African trade. It is sometimes easier and even faster for any African country to import goods from Europe than from a sister country in the same subregion just as a result of the inadequacy of transport.

4. Marketing problems

27. Even when the above constraints were removed, intra-African trade would still be faced with marketing problems. First, there is a serious lack of information about the availability of African products. Producers/exporters and consumers/importers have not enough information on markets for their products and the availability of products respectively. Market conditions in any one African country are largely unknown to the majority of African countries. Closely related to this problem is the lack of marketing know-how and the inadequacy of funds for carrying out coordinated export and import procedures and documentation, insufficiency of export incentives and the absence of strategies for making African traders direct their commercial efforts towards African markets. These problems indicate that the African region lacks adequate trade promotion arrangements. It is these African institutions that should provide information on African products, assist African traders in directing their efforts towards African markets, assist African countries in devising marketing and in simplifying export and import procedures and documents, etc.

5. Monetary and payments obstacles

28. In addition to the afore-mentioned, lack of credit arrangements to encourage intra-African trade, the inadequacy of clearing and payments arrangements between or among African countries and the inconvertibility of national currencies constitute another obstacle to the promotion of intra-African trade.

CHAPTER II

PROSPECTS FOR INTRA-AFRICAN TRADE : POTENTIAL AND IMPACT OF MEDIUM AND LONG TERM DEVELOPMENT POLICIES ON INTRA-AFRICAN TRADE

A. The potential of intra-African trade

29. The analysis of the current situation of intra-African trade has revealed that 95 per cent of African trade is with countries outside the region. Intra-African trade accounts for less than 5 per cent of total African trade. Notwithstanding this, the potential for the expansion of such trade is substantial in many products.

1. Food, food products and live animals

30. The African region is presently facing an acute food deficit. The excess of imports over exports for the last ten years shows an increasing demand trend for food items. An analysis of total African trade deficits and surpluses in selected commodities indicated substantial market potentials for meat and meat products, milk and dairy products, cereals and related items, fruits and vegetable, coffee, groundnut oil, cocoa, fish and fish products etc.

2. Meat and meat products

31. At present a considerable proportion of intra-African trade in meat and meat products is unrecorded. However live animals occupy a predominant place in the trade of many African countries. The main livestock involved are bovine cattle, sheep, lamb, goats and poultry. A good proportionoof the existing trade is also confined to neighbouring countries.

32. In spite of the sporadic trade relations, intra-African trade in meat and meat products is of immense importance to many African countries. Currently meat deficit countries of the region are compelled to impot from non-African countries. With the increasing demand for meat within Africa, growing markets can be guaranteed and the potential for intra-African trade is considerable. Over the last few years the annual consumption of meat in Africa was 11 kg. per person whereas the world animal consumption average level was 30 kg. per person therefore to bring the average African needs up to international standard, Africa will have to trinle its annual production in order to secure an extra 9 millions tons and more since the standards of living are expected to rise.

33. According to various studies, the meat industries in Africa are said to have a high trade potential. The largest exporters 3/ of canned meat are Kenya, Zimbabwe, the United Republic of Tanzania, Madagascar, Ethiopia, Swaziland and Somalia. The bulk of these exports were destined for the European markets. While some African countries exported their canned meat to European and Middle East markets, African importers were supplied principally from Europe, Latin America and New Zealand. The reasons for this pattern of trade in canned meat are said to include transport facilities, old-established trade links, credit facilities, taste, brand loyalty and quality requirements of the traditional African consumer groups particularly those residing in the urban areas.

34. It is also clear from FAO records that Africa is a net importer of sausages and prepared and preserved meat. Angola, Botswana, Ethiopia, the Sudan, Madagascar, Chad, Kenya, Swaziland and Zimbabwe are the largest exporters of fresh, chilled and frozen meat (comprising beef and veal, mutton, pig meat and poultry). They export 35 per cent of total African exports to countries in Europe, 40 per cent to the Middle East and only 25 per cent of their total export in fresh, chilled and frozen meat is destined to other African States. This situation should be compared with the fact that the largest importers of fresh, chilled and frozen meat (ie. Zaire, the Libyan Arab Jamahiriya, the Ivory Coast, Egypt, Zambia and Mauritius) and the minor importers (Gabon, Seychelles, , Nigeria, etc.) obtain their supplies mainly from some European countries, Latin America and New Zealand.

35. The potential of intra-African trade in meat is great partly because of the relatively large population of bovine cattle, sheep and goats, pigs and pultry partly because of the increase in demand for fresh meat, processed meat products with the increasing purchasing power in many African countries and also partly due to ever-increasing marketing difficulties in traditional markets of Europe and the stiff competition from other regions that African meat faces in the Middle East.

36. Therefore, trade promotion organizations (national or subregional) can exploit this potential by identifying markets and sources of supply within the African region. Identification of markets would stimulate and expand production with the consequent increase in intra-subregional or intra-African trade in meat. This is possible because of relative similarities of consumer preferences and tastes, the ease with which products can be adjusted to local requirements at the national and subregional levels and the possibility of lowering consumer prices by adjusting quality to actual consumer needs in a particular country or subregion thereby increasing not only the purchasing power but also the size of the market.

3/ See FAO Trade Yearbooks 1976-1983.

3 Milk and dairy products

57. The above analysis clearly implies, [illegible], to the potential for intra-African trade in butter, cheese and curd, condensed, dry and fresh milk and eggs in shell. The trade now received for these products are cattle and all poultry, the products of which varied from country to country and from sub-region to sub-region. Countries like Egypt, the Sudan, Zimbabwe, Malawi, Ethiopia, Botswana and the United Republic of Tanzania are producers of butter and these ways was the largest exporter of butter during the period 1976-1978, followed by Botswana and Senegal. Consumption of butter shows an increasing trend as measured by increasing margins of the exchange of imports over exports shown in table 2. These trade deficits in butter call for identification of consuming areas and orientation and establishment of production processes directed to these markets this is a task that can be assigned to trade promotion organizations.

58. The potential of intra-African trade in condensed, dry and fresh milk can similarly be exploited by identifying present and potential producers. The demand for milk is very high in Africa as shown in table 2, where trade deficits for the African region stood at 3425 030 000 in 1976 and increased to 3697 282 000 in 1978. Kenya was the only net exporter of milk during the period 1976-1978. Although Senegal and the Ivory Coast did export some small quantities of milk, they are large net importers with almost all other countries are duly importers of milk, mainly from Europe. It Ingola imports milk mainly from Kenya.

4 Cereals and related products

59. The potential of intra-African trade in cereals and related products such as maize and rice is [illegible] production constraints. The trade deficits shown in table 2 simply mean that production fails far short of consumption. While this would seem, at first sight, to limit possibilities for trade, real trade expansion in these commodities, there is often room for trade at the intra-sub-regional level [illegible] particularly to cross flow patterns between neighbouring countries. This is already happening to some extent among Zimbabwe, Zambia, Malawi, Botswana and Mozambique in so far as maize is concerned and among a number of countries in West Africa with respect to rice.

5 Fruits, vegetables, textiles, vegetable oils and fats

60. The African region is a net exporter of fresh tomatoes, oranges, tangerines, lemons, green and roasted coffee, cocoa beans, unmanufactured tobacco, groundnut oil and oils. Only 19 African countries recorded trade in fresh tomatoes of which

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[1] FAO Trade Yearbooks 1976-1983.

the largest exporters were Morocco and Egypt. Although table 2 does not show trade in fish, the development of the fish trade in the African region is largely hampered by preservation and transport facilities. The bulk of fish trade in Central and West Africa is carried out in the form of dried, salted and smoked fish.

41. The principal producers of canned or bottled fruits and vegetables export to the EEC market. Both the Ivory Coast and Kenya enjoy duty-free access to the EEC market particularly when they export pineapples. Morocco exports to France and the Federal Republic of Germany, while Tunisia exports canned vegetables mainly to Europe. Prospects for increasing intra-African trade arise from increasing restrictions in European markets. However, while some canned products, such as tomato paste are becoming popular in West Africa, in that tomato paste is being used as an ingredient in the main dishes, relatively very low purchasing power in most African countries represents a serious obstacle to the expansion of intra-African trade in canned or bottled fruits and vegetables.

42. African imports of cottonseed oil are about 20 times larger than exports. Intra-African trade in cottonseed oil is dominated by the Sudan as an exporter and Egypt as an importer. To the extent that African demand for cottonseed oil is largely met by imports from outside the region, there is ample scope for production and diversification particularly in the United Republic of Tanzania, Uganda, Mozambique and Angola.

6. Raw materials for basic industries (copper, iron ore, manganese, phosphates, iron, sugar, bauxite, tin, wood, potash, sulphur, fertilizers and acids) 6/

43. Due to lack of market organization, especially as regards supply, the stability of supply, arising from the lack of processing industries and the structure of production, the effects of the purchasing monopolies of developed countries, the emergence of synthetic substitutes, the trends of African exports in raw materials for basic industries were rather sluggish.

44. African imports of raw materials for basic industries are insignificant and come from outside the continent due to MNCs control over the market and the absence of processing industries which prevents the domestic utilization of raw materials in Africa hence intra-African trade could not develop under these conditions. It is nevertheless expected that African industries in the coming years will increasingly diversify and rely on the processing of raw materials available in the continent. It would seem that under these conditions intra-African trade in raw materials for basic industries will be bound to develop by basing itself on the potential of African production in this field and the growing demand for industry in the region.

6/ For further details see SI/ECA/IAT/1, 2, 3, 4, prospects of intra-African trade in raw materials for basic industries ECA, May 1982.

(iv) Supporting the establishment or strengthening of associations of trade promotion organizations and of institutions offering training in techniques for trade promotion and for handling trade (import and export) at the national, sub-global and regional levels;

(v) Organizing African trade fairs in conjunction with ECA;

(vi) Planning, promoting and arranging all training activities (courses, colloquia, seminars, workshops, etc.);

(vii) Preparing an annual consolidated programme in co-operation with UNCTAD (UNCTC).

CONCLUSION

52. To sum up, in the short and medium term, prospects for intra-African trade appear generally good especially for some products such as meat and meat products, vegetable oil, fish products (especially canned and dried fish), shoes, cotton textiles, milk powder, fruits and vegetables, hides and skins, cheese. This is so because of consumer preferences at country and subregional levels, the ease with which products can be adjusted to local requirements, the near absence of rigid sanitary requirements, the ease with which trade information can be obtained because of bilateral trade agreements and subregional integration schemes actually established and envisaged throughout the African region, and the increasing awareness to promote intra-African trade as a result of the directives given by the Heads of State and Government in the Lagos Plan of Action.

53. There is great potential for intra-African trade in industrial and agricultural products provided trade promotion organizations reorientate their trade efforts towards African markets. There must also be a political commitment by African countries to trade with other African countries. Imports of industrial products from outside the African region could be significantly reduced or replaced by those produced within the region if development plans of African countries were co-ordinated and geared towards African markets. As clearly spelt out in the Lagos Plan of Action, the expansion of intra-African trade in industrial products will also depend upon the pace at which jointly owned African multinational enterprises are established among African countries to deal specifically in such issues.

54. To exploit fully the potential of intra-African trade, it will be necessary for feasibility studies to be carried. First, there is need to draw up country production profiles. From these profiles, trade organizations could be made aware of sources of supply and excess demand in the African region. Second there is need to compile country trade profiles (exports and imports) from which two lists of commodities can be drawn up showing country export surpluses and country import deficits. Thirdly, a list of exportable African made products on a country-by-country basis would facilitate in-depth studies in intra-African trade marketing aspects.

55. Intra African trade will significantly improve if necessary measures are taken and institutional arrangements agreed upon for the following:

(a) The attainment of monetary harmonization which will reduce and cancel the adverse effects of currency fluctuations and render trade liberalization mechanisms effective as envisaged in the proposed African Monetary Fund;

(b) The boosting and coordination of production through multinational cooperation enabling the increased processing of agricultural and industrial raw materials to create the diversified industrial base without which intra-African trade will never expand;

(c) The reorientation of trade distribution networks and their effective control by African private and public business organizations with a view to reducing the adverse impact of TNC's on African economies;

(d) The establishment and/or strengthening of trade promotion mechanisms, including trade information, with a view to upgrading marketing techniques and absorption capacity for African produced goods within the continent.

Table 1. Share of intra-African trade in total trade of developing African countries (values in million US dollars)

Year	Total trade (Africa with world)			Intra-African 1/ trade			Intra-African trade as percentage of total trade		
	Imports	Exports	Total (imports + exports)	Imports 2/	Exports	Total (imports + exports)	Imports	Exports	Total (imports + exports)
1970	11 070	12 595	23 665	739	672	1 411	6.68	5.34	5.96
1971	12 803	12 965	25 768	773	672	1 445	6.04	5.41	5.72
1972	13 903	15 376	29 278	805	814	1 709	5.41	5.29	5.34
1973	17 330	21 584	38 914	1 166	1 070	2 236	6.36	4.91	5.59
1974	28 419	39 530	67 949	1 815	1 547	3 459	6.38	4.17	5.09
1975	37 944	35 760	73 704	2 115	1 824	4 040	5.58	5.41	5.53
1976	38 200	42 406	80 606	1 537	1 397	2 934	4.02	3.29	3.64
1977	48 068	48 977	97 039	2 036	1 851	3 887	4.24	3.78	4.01
1978	57 090	45 759	102 813	1 894	1 722	3 615	3.32	3.80	3.53
1979	57 437	57 494	114 931	2 972	2 535	5 507	5.11	3.95	4.79
1980	75 [illegible]	82 [illegible]	158 [illegible]	3 151	2 872	6 041	4.14	3.07	3.55
1981	85 152	72 [illegible]	158 [illegible]	3 452	2 847	6 300	3.98	3.84	3.91
1982	75 [illegible]	71 [illegible]	147 [illegible]	3 081	2 801	5 882	4.03	4.03	4.03
1983	...	...	...	2 701	2 001	4 202	...	...	...

1/ Excluding Zimbabwe.

2/ Imports estimated by adding 10 per cent to exports.

Sources: (i) UN Yearbook of International Trade Statistics, 1978, 1979, 1980, 1981 and 1982 (Volume II.

(ii) UN Monthly Bulletin of Statistics, June 1984.

Table 2: Developing Africa

(thousands o

		1981			
		Import	Export	Impor	
Meat, fresh, chilled, frozen		795 116	100 585	716 7	
Meat, dried, salted or smoked	(012)	12 034	1 034	11 0	
Meat canned n.e.s.	(013)	93 566	14 742	78 8	
of which sausages	(013.1)	16 310	403	15 9	
Other prepared meat	(014.0)	75 113	13 381	61 7	
Bovine cattle	(001.1)	484 483	325 478	477 0	
Sheep, lambs and goats	(001.2)	332 758	139 620	213 1	
Milk - condensed, dry, fresh	(002)	1036 843	9 149	980 6	
Butter	(023)	342 241	1 300	272 1	
Cheese and curd		145 561	232	108 3	
Eggs in shell		101 784	662	116 4	
Cereals (041, 045.1, 045.2, 045.3, 046)		579 930	18 681	551 7	
Wheat + flour + wheat equivalent		362 761	447	346 1	
Rice		1134 851	50 [illegible]	1091	
Maize		471 988	65 043	784 0	
Pulses	(054.8)	134 455	43 957	178	
Potatoes		80 057	33 329	132	
Tomatoes fresh	(054.4)	862	46 105		
Orange + tangerines + clean	(057.1)	6 356	377 917	5	
Bananes		33 954	45 813	21	
Sugar		1066 853	70 [illegible] 756	1250	
of which refined	(061.2)	1875 142	66 410	1333	
Coffee green and roas	(071.1)	280 454	2045 66[illegible]	307	
Cocoa beans		7 213	1543 206	5	
Cocoa powder		6 176	42 046		
Tea		271 112	347 756	467	
Tobacco unmanufactured		230 505	484 110	250	
Beer		55 398	7 073	41	
Cotton seed oil		134 427	48	160	
Groundnut oil		14 033	51 462	10	
Sunflower seed oil		105 393	510	69	
Olive oil		104 149	103 551	53	

e imports and exports selected items

United States dollars)

1982		1983		Trade Balance (Export-Import) 1981	1982	1983
	Export	Import	Export			
7	90 436	766 585	113 142	-626 550	-618 308	- 75 453
	511	10 701	475	-10 690	-10 520	-10 226
	13 203	83 701	14 640	-79 814	-65 608	-69 060
	330	21 458	270	-17 912	-16 650	-21 110
3	14 471	61 218	14 040	-61 701	-43 637	-40 170
2	189 981	547 110	167 230	-169 054	-107 024	-274 316
5	260 273	441 722	202 437	-42 652	54 317	-40 485
9	3 067	898 717	1 032	-1017 600	-367 611	-897 865
1	5 582	300 187	1 900	-340 851	-170 113	-298 287
3	1 392	143 579	70	-145 319	-108 941	-143 909
2	535	104 147	780	-101 192	-117 107	-103 367
5	17 142	498 120	16 163	-551 248	-534 656	-481 957
9	321	317 908	23	-362 274	-347 [illegible]	-317 885
	15 454	383 100	12 447	-1060 729	-1038 482	-370 901
2	56 763	679 164	78 [illegible]4	-816 845	-727 313	-800 [illegible]10
7	86 195	157 078	70 404	-160 [illegible]30	-111. [illegible]02	-86 [illegible]7
7	91 948	95 210	59 114	-40 [illegible]26	-61 [illegible]10	-36 [illegible]96
9	37 350	1 000	36 171	46 241	37 101	37 [illegible]09
5	250 581	5 923	259 [illegible]4	271 [illegible]99	244 [illegible]18	253 [illegible]71
5	45 705	11 095	32 [illegible]78	21 859	10 [illegible]30	22 [illegible]44
3	501 201	1095 803	540 [illegible]73	-1364 095	-672 [illegible]32	-847 730
2	43 887	898 [illegible]46	29 [illegible]04	-1608 704	-939 [illegible]80	-[illegible]60 [illegible]96
4	[illegible]0 752	271 697	2144 [illegible]02	1766 [illegible]06	2013 [illegible]28	1871 [illegible]08
7	1411 230	5 402	1472 353	1536 [illegible]72	1305 [illegible]53	1455 351
1	25 510	5 920	28 [illegible]08	35 [illegible]70	20 [illegible]90	23 [illegible]68
6	272 [illegible]08	[illegible]80 [illegible]75	311 [illegible]49	-[illegible]3 [illegible]54	-5 [illegible]20	80 [illegible]19
1	423 [illegible]66	272 [illegible]42	379 [illegible]20	233 [illegible]06	173 [illegible]85	108 [illegible]04
8	6 [illegible]42	37 860	6 [illegible]27	-46 [illegible]23	-33 [illegible]08	-21 [illegible]93
3	7 [illegible]42	89 [illegible]32	-	-124 [illegible]76	-186 [illegible]21	-[illegible]8 [illegible]32
6	119 [illegible]48	17 [illegible]05	108 [illegible]40	37 [illegible]48	109 [illegible]63	91 [illegible]55
0	[illegible]83	145 150	-	-124 [illegible]83	-[illegible]9 157	-145 150
2	104 [illegible]36	39 [illegible]84	37 [illegible]54	-[illegible]38	21 [illegible]24	-[illegible]1 [illegible]30

ANNEX I

Structure of Intra-African Imports
(Selected countries)

(Values in thousand US dollars (cif.))

	1978	1979	1980	1981	1982
Algeria					
- Africa	220040	20632	297214	240572	...
- World	8666747	8406650	10524498	11302272	...
% of intra-African imports	2.54	2.45	2.82	2.29	...
Burkina Faso					
- Africa	21099	43981	58143	90035	...
- World	227863	307392	357955	337547	...
% of intra-African imports	9.26	14.31	16.24	26.67	...
Burundi					
- Africa	10008	19827	17043	28325	26863
- World	98240	152722	167224	167317	212870
% of intra-African imports	10.19	13.05	10.19	16.93	12.62
Cameroon					
- Africa	36882	89477	75236	...	60283
- World	1008505	1270561	1538352	...	1243180
% of intra-African imports	3.66	7.04	4.89	...	4.85
Cape Verde					
- Africa	571	2416	[illegible]	...	...
- World	43361	40630	67800	...	...
% of intra-African imports	1.32	5.95	6.45	...	...
Central African Republic					
- Africa	3952	4482	6743	...	...
- World	56579	66523	80461	...	...
% of intra-African imports	6.98	6.74	8.38	...	...

	1978	1979	1980	1981	1982
Congo					
- Africa	1[illegible]09	22674	59437	...	...
- World	241988	266414	418149	...	...
% of intra-African imports	0.12	8.51	14.23	...	...
Djibouti					
- Africa	8164	9850	...	...	...
- World	157402	177213	...	...	...
% of intra-African imports	5.19	5.56	...	...	...
Egypt					
- Africa	32728	35069	37574	69720	96153
- World	6726640	3837387	4859982	8339464	9077949
% of intra-African imports	1.23	0.91	0.77	0.79	1.06
Ethiopia					
- Africa	12837	10863	14711	10342	10521
- World	505283	567424	721367	737265	784950
% of intra-African imports	2.54	1.91	2.04	1.40	1.34
Gabon					
- Africa	14205	11470	21713	...	...
- World	564297	522080	673554	...	...
% of intra-African imports	2.52	2.16	3.22	...	...
Ghana					
- Africa	138764	154451	...	...	...
- World	1002572	852670	...	...	...
% of intra-African trade	13.84	18.11	...	...	...
Guinea-Bissau					
- Africa	1157	...	3484	...	...
- World	41738	...	55526	...	...
% of intra-African trade	2.77	...	6.27	...	...

	1978	1979	1980	1981	1982
Ivory Coast					
- Africa	147177	132548	150600	221746	264067
- World	2309634	2388907	2990600	2393112	2183727
% of intra-African trade	6.37	5.55	5.04	9.27	12.09
Kenya					
- Africa	23792	31986	79525	...	...
- World	1705923	1655468	2589939	...	...
% of intra-African imports	1.39	1.93	3.07	...	...
Liberia					
- Africa	21146	13280	11336	11049	...
- World	480946	506453	534092	477429	...
% of intra-African imports	4.40	2.62	2.12	2.31	...
Libyan Arab Jamahiriya					
- Africa	137783	81576	37740	83484	...
- World	4602491	5311306	6776377	8381697	...
% of intra-African imports	2.99	1.54	0.56	1.00	...
Madagascar					
- Africa	9794	22104	16799	6284	...
- World	460089	698437	676467	473026	...
% of intra-African imports	2.13	3.16	2.48	1.33	...
Malawi					
- Africa	143160	182728	191332	...	...
- World	338229	397589	440230	...	...[2]
% of intra-African imports	42.33	45.96	43.46	...	...
Mali					
- Africa	55418	58738	...	...	...
- World	202624	304461	...	...	...
% of intra-African imports	27.35	19.29	...	...	...

	1978	1979	1980	1981	1982
Mauritania					
- Africa	...	...	...	...	...
- World	...	...	...	...	...
% of intra-African imports	...	...	...	...	...
Mauritius					
- Africa	85458	...	...	...	...
- World	498372	...	...	...	...
% of intra-African imports	15.14	...	...	...	...
Morocco					
- Africa	72414	74887	89245	72367	63836
- World	2950326	3673490	4182375	4352584	4315286
% of intra-African imports	2.45	2.04	2.13	1.66	1.48
Niger					
- Africa	86826	77460	116551	149074	...
- World	305915	461705	607688	509723	...
% of intra-African imports	23.38	16.78	19.18	29.25	
Nigeria					
- Africa	106541	96630	...	...	...
- World	12762781	10274326	...	...	...
% of intra-African imports	0.83	0.94	...	...	...
Rwanda					
-Africa	25247	25176	34302	...	...
-World	179101	192321	243081	...	...
% of intra-African imports	14.10	13.09	14.11	...	...
Tunisia					
- Africa	62114	44135	75368	59794	...
- World	2157733	2842155	3508706	3770881	...
% of intra-African imports	2.88	1.55	2.15	1.59	...

	1978	1979	1980	1981	1982
United Republic of Tanzania					
- Africa	13608	23457	30235	16200	...
- World	1141283	1076686	1211336	1197200	...
% of intra-African imports	1.19	2.18	2.50	1.35	
Zaire					
- Africa	111507	...	...	...	...
- World	796714	...	...	...	...
% of intra-African imports	14.00				
Zambia					
- Africa	59268	107775	...	...	...
- World	628311	750239	...	...	...
% of intra-African imports	9.43	14.37	...	...	...
Zimbabwe					
- Africa	...	...	...	518569	424706
- World	592789	939819	1203659	1472094	1430171
% of intra-African imports	...	...	...	35.23	29.70
Senegal					
- Africa	79962	98214	152084	138565	...
- World	756110	931168	1037852	1077418	...
% of intra-African imports	10.58	10.55	14.73	12.86	...
Seychelles					
- Africa	12144	17683	15375	15711	38073
- World	52681	89524	98886	93437	195629
% of intra-African imports	23.05	19.75	15.55	16.81	19.46
Somalia					
- Africa	25459	36502	37635	...	...
- World	241293	245732	347997	...	...
% of intra-African imports	10.55	15.67	10.81	...	...

	1978	1979	1980	1981	1982
Sudan					
- Africa	28277	25827	51120	63115	79396
- World	877985	913711	1499342	1518702	1284893
% of intra-African imports	3.22	2.82	3.41	4.16	6.18
Togo					
- Africa	64209	77611	108126	29179	...
- World	450780	518460	549641	435772	...
% of intra-African imports	14.24	14.97	19.67	6.70	...

Symbol used:

. . = data not available

Source: UN Yearbook of International Trade Statistics, 1982

Annex II

Structure of Intra-African Exports

(Selected Countries)

(values in thousand US dollars f.o.b.)

	1978	1979	1980	1981	1982
Algeria					
- Africa	49476	84304	130241	...	...
- World	6125537	9363297	15623587	...	...
% of intra-African exports	0.81	0.86	0.83	...	...
Burkina Faso					
- Africa	20509	37352	38855	27981	...
- World	42424	76756	90227	74985	...
% of intra African exports	48.34	48.66	43.06	37.32	...
Burundi					
- Africa	1254	1453	...	4799	...
- World	66935	104803	59098	71369	87582
% of intra-African exports	1.87	1.39	...	6.72	...
Cameroon					
- Africa	30727	68626	37595	...	92892
- World	762222	1128626	1320872	...	1028943
% of intra-African exports	4.03	6.08	2.85	...	9.03
Cape Verde					
- Africa	652	593	1048	...	...
- World	16521	1889	4223	...	...
% of intra-African exports	3.95	31.39	24.82	...	...
Central African Republic					
- Africa	2951	2104	2399	...	...
- World	71771	79547	111237	...	...
% of intra-African exports	4.11	2.64	2.16	...	...

	1978	1979	1980	1981	1982
Congo					
- Africa	6059	7779	12267	...	...
- World	148656	509273	955276	...	...
% of intra-African exports	4.08	1.53	1.28	....	...
Djibouti					
- Africa	308	225	...	...	...
- World	17667	11391	...	...	...
% of intra-African exports	1.74	1.98			
Egypt					
- Africa	62075	45948	31043	20617	112616
- World	1737150	1839729	3045959	3232182	3120195
% of intra-African exports	3.57	2.50	1.02	0.64	3.61
Ethiopia					
- Africa	18756	33789	56771	36280	47641
- World	309753	422193	424690	379125	404395
% of intra-African exports	6.00	8.00	13.37	9.59	11.78
Gabon					
- Africa	10258	7287	74	...	...
- World	1106164	1849608	2189292	...	...
% of intra-African exports	0.93	0.39	0.00	...	...
Ghana					
- Africa	14765	9156	...	...	...
- World	992444	918811	...	...	...
% of intra-African exports	1.49	1.00			
Guinea-Bissau					
- Africa	4534	...	1676	...	...
- World	10060	...	11414	...	...
% of intra-African exports	45.07	...	14.68	...	...

	1978	1979	1980	1981	1982
Ivory Coast					
- Africa	254321	339113	190100	414955	441379
- World	2322453	2506041	3142100	2535224	2287949
% of intra-African exports	10.95	13.53	6.05	16.37	19.29
Kenya					
- Africa	242757	264549	379785	...	...
- World	1022266	1103546	1389000	...	...
% of intra-African exports	23.75	23.97	27.34	...	...
Liberia					
- Africa	6833	9693	11203	13506	...
- World	487465	536572	536975	523625	...
% of intra-African exports	1.40	1.81	1.89	2.58	...
Libyan Arab Jamahiriya					
- Africa	71713	33970	29902	1503	...
- World	9894533	16076037	21909678	15571062	...
% of intra-African exports	0.72	0.21	0.14	0.00	
Madagascar					
- Africa	27530	44744	34118	25074	...
- World	399320	407400	386517	424350	...
% of intra-African exports	6.89	10.98	8.83	7.73	...
Malawi					
- Africa	27972	29445	47105	...	...
- World	177092	222300	285148	...	...
% of intra-African exports	15.80	13.22	16.52	...	...
Mali					
- Africa	25850	25695	...	...	...
- World	106247	106222	...	...	...
% of intra-African exports	24.33	24.19	...	...	...

	1978	1979	1980	1981	1982
Mauritius					
- Africa	16935	...	...	...	...
- World	325759	...	...	...	...
% of intra-African exports	5.20	...	...	...	...
Morocco					
- Africa	67252	69748	84282	118497	69167
- World	1511345	1958633	2403418	2320271	2058599
% of intra-African export	4.45	3.56	3.51	5.11	3.36
Niger					
- Africa	55322	55390	108720	149129	...
- World	282871	448031	479689	454809	...
% of intra-African exports	19.56	12.36	18.75	32.79	...
Nigeria					
- Africa	267707	303532	...	...	...
- World	9983755	16405153	...	...	...
% of intra-African exports	2.68	1.35	...	...	...
Rwanda					
- Africa	695	951	9950	...	...
- World	68916	112176	73162	...	...
% of intra-African exports	1.01	0.85	13.60	...	...
Senegal					
- Africa	109889	96157	147411	190114	...
- World	420844	533226	476685	560793	...
% of intra-African exports	26.11	18.03	30.92	33.90	...
Seychelles					
- Africa	891	1543	1904	883	1304
- World	3310	5807	5754	4751	15183
% of intra-African exports	23.39	26.57	33.09	18.59	8.59

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THE ROLE OF THE FEDERATION OF AFRICAN CHAMBERS OF COMMERCE IN THE PROMOTION OF INTRA-AFRICAN TRADE

INTRODUCTION

1. A cursory review and assessment of the impact of external factors on the achievement of economic development in Africa show that substantial increases in trade exchanges with the developed market economies over the last twenty years have not resulted in corresponding favourable impact on the socio-economic development to the region as a whole or for individual countries. On the contrary, the terms of trade of many African countries have in fact been deteriorating steadily as a result of persistant inflation and recession in the developed countries. A combination of these factors have adversely affected the international demand of Africa's traditional exports. It has also tremendously increased the unit prices of goods imported by African countries.

2. Even though the interdependence of the world economy is an acknowledged fact, it has become more and more obvious that African development policies should first and foremost be based on the internal needs and socio-economic realities of the continent. In other words, the development engine should come primarily from within, and should be envisaged at national, subregional and regional levels.

3. The major factor in intra-African trade is that hitherto, the national chambers of commerce, industry, agriculture and mines have not been fully utilized as instruments for intra-African trade promotion. It should be stressed that the peculiar situation of African countries and the structure of individual domestic markets and economies call for the development of intra-African co-operation and integration especially through the indigenous private business sectors. Intra-African trade constitutes the mainstay of the present African development strategy, both as a means of diversifying the overall trade of the region and of concretizing self reliance and assisting in the economic development of Africa. This cannot be attained without the involvement of the Federation of African Chambers of Commerce. To this end, it should be pointed out that the strategy for the development of Africa in the years 1980-2000 indicates directives and recommends activities to be undertaken including the establishment of relevant institutions which would enable African countries foster their co-operation for the attainment of development objectives set forth in the Lagos Plan of Action. One of the institutions recognized in the Lagos Plan of Action as being important for emplementing such a strategy is the Federation of African Chambers of Commerce.

4. The purpose of this paper is to review the obstacles to the development of Africa in general and intra-african trade in particular so as to identify problem areas requiring the Federation's action in the short and medium terms with a view to drawing programmes for the years 1986-91 within its proposed medium term plan for the same period. For the purpose of this review, the approach will be based on the mix-marketing components i.e. (products, price, promotion, distribution). A related issue is to examine the problems which fall under the Federation's field of competence and how best it can tackle them.

II. OBSTACLES OF THE DEVELOPMENT OF INTRA-AFRICAN TRADE AND MEASURES TO OVERCOME THEM

A. Production

5. One of the most serious problems facing Africa is the inability of the productive sector to generate surpluses to be traded among African countries. Not only is the level of output low due to idle capacities of production but there is also no complementarity between African production structures and demand patterns. Most African countries are primary commodities producers whereas their most pressing needs are for manufactured goods. Thus in addition to the necessary promotion of investments to boost production, one of the most pressing tasks is to seek a linkage between production, demand and consumption and to work out complementarities between them.

6. This complementarity could only be achieved if diversified industrial basis are created and if industrialization is based on the processing of raw materials available at the national, subregional and regional levels with special emphasis on the agricultural and industrial sectors. It has become obvious that the import substitutions industrialization policies have failed to create conditions for any actual economic take-off hence the necessity of re-oriented pattern to heavy industries. This would create the required inter-sectoral linkages without which industrial development would be impossible. Such industries often require investments and markets beyond capacities of individual African countries. Thus subregional, regional and even inter-regional co-operation in investments should be promoted.

7. Other supply constraints arise because of weaknesses in quality controls particularly in manufactured goods. Some manufactured items originating in African countries are of poor quality and do not meet standards required by consumers. In addition to this the lack of harmonization of quality and technical standards within the region constitutes another set of obstacles to the development of intra-African trade.

8. The main thrust of future activities should be the attainment of an optimal quantitative and qualitative level of production to meet African needs through industrial development and diversification. This can best be achieved if enough resources are available for investments and if African markets are integrated so as to enhance the profitability of such investments. It goes without saying that efforts to be made should be made in the business sector, especially the Federation, to include human resources development with a view to up-grading management capabilities and to allow Africans to control their economies.

B. Costs and prices

9. Empirical analysis shows that trade among African countries is also hampered by the uncompetitiveness of African products in terms of costs of production, pricing, quality control, standardization, advertising and packaging. Therefore, competitiveness is a multifaceted aspect which the

Federation should carefully examine. Prices of African products, more especially the manufactured products, are sometimes much higher than those of equivalent items imported from other regions of the World. This is mainly due to the following reasons:

(i) inflationary costs of developed countries are immediately transmitted to and supported by products whose main inputs are imported from those countries at "the seller's market";

(ii) the low level of productivity due to cumbersome work procedures, inadequate technology, below standards skills and social problems;

(iii) oversized industries with large idle capacities, which dramatically increase their unit cost-prices;

(iv) inappropriate pricing mechanisms and methods resulting in overpriced and uncompetitive goods (see costing and accounting methods);

(v) prohibitive costs of transportation and transit due to poor transport facilities and sometimes to the inexistence of sufficient freight and traffic between countries even when they have access to the sea (costal transportation is still underexploited in Africa)

(vi) high tariff rates and duties levied on imported goods

(vii) non tariff barriers, cumbersome delaying procedures and documentations which can aggravate the costs of goods by the cost of immobilization of capital they incur.

10. In addition to medium and long term solutions, the Federation should play a more active role to assist in the shift from the present industrial development policies and patterns to more self reliant production, marketing and distribution structures. The main considerations of such activities should be the following:

(a) to reduce Africa's dependance on external input-factors whenever feasible;

(b) to establish information systems which will enable African buyers to increase their knowledge of supply sources in other African countries in their lines of business and current trading conditions prices, payment arrangements, quality and delivery periods etc. with a view to putting into contact various suppliers and for getting better conditions for their imports;

(c) to train African importers for the up-grading of their skills in purchasing and import management techniques, productivity and export pricing, industrial management techniques and procedures; costing/pricing, and accounting systems.

(d) to reduce the underutilization of production capacities as a price aggravating factor is directly linked to the size of available markets hence its solution can be found in bilateral and multilateral trade liberalization arrangements. The same applies to tariff obstacles

(e) to improve trade facilitation measures such as simplification of documentation and procedures, transit agreements etc... will also help reduce costs of imports by minimizing the costs of immobilization of capital. Costs of transportation can be minimized in two ways:

(i) reinforcing the negotiating position of Africa by increasing volume of goods to be transported and mastering negotiating techniques based on accurate information. This can be achieved through collective freight booking arrangements and harmonization of negotiating positions of African businessmen vis-a-vis transport companies.

(ii) The direct control and collective ownership of transport facilities, such as shipping lines, air transport companies can guarantee enlarged markets and profitability, it can also help re-orient networks of routes to the best of intra-regional trade.

C. Marketing, advertising and distribution

11. This involves all activities required to put goods at the disposal of consumers including communications, transport, transit, advertising sales networks and payments facilities.

(a) Transports and communications

12. The prohibitive costs of transportation referred to earlier are better explained against the underdeveloped situation of transport networks and services in Africa which do not favour intra-African trade. Transport networks and services still follow the dominant pattern of trade i.e. they are externaly oriented linking the continent with its traditional partners of the developed market economies.

13. In addition to efforts being made on Trans-African Highways, harmonization of railways and communications in the framework of the United Nations Transports and Communications Decade, it is obvious that unless national networks are developed with the construction of main and feeder-roads, the objective of developing intra-African and domestic trade will not be totally achieved. The Federation should examine ways in which it can persuade the African governments to give priority to this vital sector.

(b) Transit, custom procedures and other facilitation

14. Trade and transit facilitation is a crucial element in intra-African trade. Due to the large number of land-locked countries in Africa, tremendous delays and loses are presently recorded due to the lack of transit facilities. It is therefore urgent and imperative to put emphasis on transit arrangements and to work out the modus operandi for intra-African trade.

D. Sales promotion and services

15. Africa's trade is still mainly controlled by foreign transnational corporations with vertically integrated networks linking African based branches to parent companies in market developed economies in shuttle service schemes. This will maintain the present trade pattern unless efforts are made to establish and strengthen new distribution networks linking African business communities through bilateral and/or multilateral long term purchasing agreements and/or the establishment of multinational marketing enterprises bringing together arrangements with the trading houses which do not favour indigenous enterprises.

E. Financing and payments arrangements

16. The present foreign exchange crisis has compelled most African countries to drastically reduce their imports even from the traditional suppliers of developed countries. Credit and payment facilities have become crucial factors which determine an exporter's success or failure in today's highly competitive markets. Traditionally, commercial banks are not equipped to offer such facilities and the existing foreign owned commercial banks have different priorities and their activities favour operations related to the North-South Traditional Trade. This is particularly so with regard to intra-African trade which usually received very low priority in foreign exchange allocations. For the future trade strategy, it is important for African countries to establish export credit and other trade financing facilities to enhance their ability to export to other developing countries in general and more specially to African countries. There also is the need for a new banking system, including commercial banks, to be oriented towards development objectives of African countries. It is also important that the banking networks of African countries be integrated at the subregional and regional levels to offer maximum guarantee for the mobilization of resources for intra-African trade.

17. It is not worthy that African countries have embarked on the establishment of payments and clearing arrangements such as the clearing houses in West, Central, Eastern and Southern Africa with a view to reducing the use of foreign currency in their trade relations. However these arrangements are already facing same difficulties because of recurrent trade deficits of some of the participating countries. There is therefore a pressing need to continue to devise trade mechanisms which help reduce the deficits.

III. THE ROLE OF THE FEDERATION IN TRADE PROMOTION

a) Trade information systems

18. As was stated earlier, one of the main issues to be addressed in Africa is the lack of trade and investments information coupled with insufficient and ineffective contacts between African businessmen. African producers/exporters, importers/consumers do not have enough information on markets for their products and the availability of products from other countries. Market conditions in any one African country, are largely unknown to the majority of the African business community. Developed countries are quite aware of this and their exporters have pertinent policies on the matter which enable them to continually capture African markets by strongly influencing African consumers with well conceived advertising messages based on the demonstrative effect of international consumption. Therefore the Federation of African Chambers of Commerce should press the African countries to pass protective legislation on advertising and related practices of foreign companies. At the same time efforts to promote genuine industrial development by accelerating the obsolescence of manufactured products cannot be sustained.

19. If intra-African trade is to be developed, it is urgent to establish collective trade information systems at the subregional and regional levels to ease trade information flows within Africa and possibly to channel information on external markets to African end-users. Such an information system should have components located within trade promotion centres at the various levels including national chambers of commerce. It should use all possible media (directories, magazines, bulletins, market studies, statistical commendiae, telex, computers to reach business decision makers on a regular basis. As a complement to this, it is imperative to establish or strengthen national, subregional and regional trade promotion mechanisms and to enhance the role of the Federation of chambers of commerce in trade promotion so as to promote not only inter-governmental co-operation but also co-operation between private business operators.

20. Another aspect which requires mention is that African business executives travel mainly to visit developed countries. But contacts within Africa are sporadic and often ineffective. Since development of trade in general depends to a large extent on contacts, it is important to plan for mechanisms to improve contacts between African businessmen. In addition to the OAU sponsored All Africa Trade Fair specialized trade fairs and exhibitions should be organized along with investors' forums and symposiums which will discuss sectoral issues, concrete co-operation schemes and formulate suggestions for government policies.

21. In sum, trade promotion tasks in which the Federation can take an active role include:

(a) the establishment and/or strengthening of trade promotion mechanisms including chambers of commerce at the national, subregional and regional levels. Such mechanisms will be the focal point for an African regional trade information system which would ease the flow of trade and investments information throughout the continent and fill the present glaring gap;

(b) the training of qualified trade promotion officers, technicians and managers well aware of business developments. (c) the organization of promotional events including specialized trade fairs, investors' fora and symposiae which would be opportunities for increased contacts between business executives.

(b) Financing intra-African trade

22. The magnitude of trade promotion tasks in Africa is so important and activities involved so diversified that institutions envisaged for the purpose will have to be devised in such a way as to make the required impact. The range of activities to be undertaken involves almost all the fields of economic development from production to transport, distribution, prices, development of human resources. Considerable achievement has already been made in the establishment of African inter-governmental organizations dealing on a sectoral basis approach with aspects of the recommended integrated trade promotion policies described earlier.

23. The magnitude of capital requirements for intra-African trade promotion and expansion is far beyond what the above institution could provide and there is an obvious need for additional resource mobilization mechanisms to supplement inter-governmental financing institutions. The present African environment is characterized by its openness to private sector initiative in the field of investment and trade financing hence the ECO Bank project started in West Africa is a sound one and should rapidly be extended to other subregions. The Federation of African Chambers of Commerce could play a vital role by providing the necessary support for that and for the linking of subregional networks into a regional network of ECO banks and the establishment of intra-regional investment Funds.

24. The areas in which the Federation's intervention can effectively contribute to productive sectors in general and more specially in industrial development are mainly:

(i) the establishment of resources mobilizing mechanisms including financial institutions and credit schemes at the national, subregional, regional and inter-regional levels to supplement existing public arrangements;

(ii) the participation in the board of directors of all supportive centres and organizations created by African governments and dealing with technology, engineering, manufacturing, standardization and technical training with a view to influencing their orientations to the best of the producers interest;

(iv) the identification of opportunities for multinational co-operation in industrial projects based on the processing of locally available inputs whenever feasible.

(v) the organization and/or sponsorship of promotional events including investors' fora and specialized Trade Fairs.

(c) Trade liberalization

25. One of the most pressing tasks in enhancing the competitiveness of African products and in promoting intra-African trade is the establishment of trade liberalization mechanisms such as preferential trade areas, economic communities, customs unions etc... to reduce most aggravating factors related to tariff and non tariff barriers. Such mechanisms are already established by African countries in all subregions of the continent except for North Africa. These include the Economic Community of West African States (ECOWAS), the Preferential Trade Area of Eastern and Southern African States (PTA) and the Economic Community of Central African States (ECCAS).

26. It is nevertheless true that the private economic operators constitute the missing link in trade liberalization. This is partly because in the process for the establishment of all those economic groupings, no provision was made to involve national chambers of commerce in such activities. Subregional and regional business organizations, more specially of Chambers of Commerce, are not associated with the policy making and the implementation of current economic integration endeavours including the establishment of the future African Common Market and the African Economic Community.

27. The analysis shows that the restructuring of African markets through the integration of chambers of commerce would have a dramatic effect on the competitiveness of African made products by providing opportunities of rehabilitation the presently underutilized industrial capacities and thereby, reducing fixed unit costs through economies of scale.

28. Trade liberalization is also hampered by the lack of harmonization in investments, imports and exports policies and management which calls for an immediate action in the field of trade and investment information. The establishment of a regional integrated trade and investment information system should be a priority if intra-African trade is to be developed. The Federation of African Chambers of Commerce could play a role as a regional coordinating point of national and subregional business oriented information (chambers of commerce and their subregional associations) and also as a central pool for trade and investment information. In this process the Federation could devise schemes, chart out programmes and advise on how to improve trade information centres existing within chambers of commerce at the national and subregional levels.

29. The Federation could also play a critical role in harmonizing and coordinating African businessmen's negotiating position vis-à-vis organizations such as shipping lines and their conference by laying foundations for collective freight booking centres in the medium term so as to minimize cost aggravating factors of freight rates and to improve services in that field. The Federation could also assist in identifying opportunities for African multinational cooperation for investments in the transport sector including collective ownership of shipping lines, air transport companies, which would then help reorientate transport networks to serve the best interests of Africa.

IV. CONCLUSIONS

30. From the foregoing brief analysis, it is evident that our integral part of the intra-African trade strategy should include an immediate and intensive programme to increase the trade and exchanges of African produced goods and services in order to reduce our dependence on external markets. This is an area in which the Federation of African Chambers of Commerce can play a crucial role. Since Africa is faced with a serious economic crisis, new and serious exchange of information should be conducted primarily within the existing subregional groupings to look for new opportunities in trade among the African countries. It is deplorable that the African market is presently exploited by foreign interests from North America, South East Asia, Japan, Western and Eastern Europe. Therefore, new positive attitudes towards African-made goods through the launching of 'BUY AFRICAN GOODS' campaign should be encouraged as a means of ensuring collective self-reliance and of enhancing further growth. To this end, the Federation should be fully supported by all African countries in its new role as a catalyst for intra-African trade promotion.

31. To sum up, the Federation should actively involve itself in priority tasks in the field of production including: (i) the re-orientation of production policies and plans so as to give priority to the processing of raw materials available within Africa, to create backward forward intersectoral linkages and to link demand and supply (ii) the promotion of productive investments through appropriate incentives to both local and foreign investors, the establishment of capital mobilization mechanisms, including the re-orientation of the existing banking systems towards the financing of indigenous inward looking productive activities and to promote intra and inter-regional co-operation in investment financing (iii) the harmonization of quality and technical standards within the region (iv) the training of skilled manpower including technicians and managers.

32. Finally the improvement of distribution activities will depend on the participation of the Federation in the implementation of the following tasks: (a) the accelerated construction of inverted transport and communications networks linking African countries (b) the establishment and/or strengthening of transit arrangements backed up credible multinational guarantees (c) the promotion of long term purchasing and counter purchasing arrangements including multinational marketing enterprises which would generate new inverted distribution networks; (d) the creation of trade financing mechanisms including export credit facilities, integrated intra-African oriented networks of commercial banks and an African Monetary Fund to assist in the harmonization of monetary policies and payments (e) the establishment of subregional common markets and a regional common market.

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REVIEW OF RECENT DEVELOPMENTS IN AFRICA'S INTERNATIONAL TRADE RELATIONS

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I. INTRODUCTION

1. Since the seventh session of the Conference of Ministers of Trade held in February 1982, a number of important developments have taken place in Africa's international trade relations. The most important single development has been the advent of the wide-spread drought, desertification and other natural disasters which have brought about untoward damage to agricultural prospects for many countries. The prices of commodities continue to be depressed and the terms of trade of many African countries continue to be negative. In addition, the export earnings of many countries have declined drastically over the past three to four years while their import bills have been mounting thereby aggravating the already serious balance-of-payments deficits.

2. Against this background and a very bleak future for Africa, several negotiations have been going on in several international fora. Notable among them were: (a) the Sixth Session of the United Nations Conference on Trade and Development (UNCTAD); (b) the signing of the Lomé III Convention between the African, Caribbean and Pacific (ACP) States and the European Economic Community(EEC); and (c) Africa's participation in the Global System of Trade Preferences among Developing Countries (GSTP). This paper briefly outlines these and related issues against the background of Africa's specific interests with a view to assisting member States to improve their bargaining position or in maximizing their gains from such negotiations. It also attempts to show the reluctance of the international community in general to fully address themselves to the issues and problems facing the African countries within the context of the economic and social crisis.

II. THE SIXTH SESSION OF THE UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT (UNCTAD)

3. The nineteenth Summit of the Heads of State and Government of the Organization of African Unity (OAU) meeting in Addis Ababa in June 1983 called upon the Third Meeting of the Ministerial Follow-up Committee on Trade and Development to assess the results of UNCTAD VI and to report to its twentieth Summit. The assessment is contained in the document entitled «Review and Assessment of the Sixth Session of the United Nations Conference on Trade and Development (E/ECA/OAU/TRADE/11)».

4. The conclusions of the Third Ministerial Follow-up Committee on Trade and Development which met in Addis Ababa from 9 to 14 May 1984 were submitted to the Heads of State and Government of the Organization of African Unity during its Twentieth Summit. The general view of the results of UNCTAD VI was that it failed to meet a major part of the expectations of the Third World countries. For instance:

(a) not much progress had been made on the desire expressed by developing countries that the Conference establish an additional compensatory financing facility for export earnings shortfalls. This is despite the fact that most developing countries are producers of primary commodities, and the bulk of them belong to the developing African continent;

(b) developed countries continue to adopt protectionist measures that adversely affect trade prospects of developing countries. The developed countries also refuse to adhere to standstill and/or rollback on protectionism. Furthermore, they are reluctant to consider adopting structural adjustments with a view to enabling developing countries to benefit from production and trade in areas where the latter have a clear comparative advantage;

(c) the Conference reached no agreement on mandating UNCTAD to assist developing countries to increase their participation in trade in services and similar areas;

(d) not much was achieved on the issues of increasing the flow of development finance to the developing nations from ODA and other multilateral financing institutions. The Group of 77, in the Buenos Aires Platform, called for an increase in the allocation of SDRs and their link to development finance; increase in replenishment of resources of IDA and their timely disbursements in order to achieve the target of ODA, particularly that of least developed countries; expanding IBRD lending programmes and capital base and alleviating external debt problems of the least developed countries by generalized debt relief and conversion of debts into grants. These proposals were either rejected outright or deferred to other bodies on the pretext that these matters fell outside the mandate of UNCTAD. The socialist countries of Eastern Europe on their part reverted to their old arguement of blaming ex-colonial powers for the plight of developing countries and therefore distanced themselves from the search for possible common solutions to these problems;

(e) the Conference failed to address itself on how the IMF should treat the least developed countries with regard to the latter's import bill on energy;

(f) there was no agreement on the developing countries' desire to increasingly participate in shipping services but the Conference merely requested the Secretary-General of UNCTAD to examine the issues raised;

(g) there was no agreement in respect of trade relations among countries having different economic and social systems and on all trade flows resulting therefrom. Socialist countries of Eastern Europe members of Group D could not be moved to accept their international obligations in this field; they continued to reiterate their old familiar theme of resorting to bilateral political dialogue with individual countries of the Group of 77;

(h) the Conference failed to pronounce itself firmly on co-operation in the field of transfer of technology, insurance, reinsurance, food and energy within the context of economic co-operation among developing countries,

(i) the developed countries members of Group B refused to be associated with the Conference resolution on assistance to Liberation Movements on the grounds that UNCTAD was not the right forum for questions relating to liberation movements.

5. A number of these issues have since come up for discussion in subsequent meetings as part of the regular work of the Trade and Development Board (TDB) and its various subsidiary bodies within UNCTAD. These include issues on the interdependent nature of problems of trade development finance and the international monetary system; debt and development problems of developing countries;trade relations among countries having different economic and social systems and all trade flows resulting therefrom; needs and problems of island and land-locked countries within the context of the Substantial New Programme of Action (SNPA) for the least developed among the developing countries (LDCs) as well as outside it: transfer of technology; commodities and services.

6. Interdependence has many dimensions and at times it is open to abuse in certain international negotiations as was demonstrated in regard to the observed impasse or lack of progress on many of the issues during UNCTAD VI. Thus, several sessions of the Committee on Commodities have been held with little progress on substantial issues. For instance, the fourth session of the Permanent Sub-Committee on Commodities followed by the second special session of the Committee made little progress as requested in resolution 156(VI). The former was supposed «to proceed with its consideration of studies on the processing, marketing and distribution, including transportation of individual commodities of interest to developing countries». The latter on the other hand, was called upon «to elaborate the elements of the frameworks of international co-operation in the field of processing, marketing and distribution, including transportation of commodities of export interest to developing countries».

7. The third special session of the Committee on Commodities was convened pursuant to resolution 155(VI) for the purpose of examining, «in close co-operation with the commodity councils concerned, the role of international commodity agreements or arrangements negotiated or renegotiated within UNCTAD in attaining the objectives of the Integrated Programme for Commodities». The results of which were to be submitted to the fourteenth Special Session of the TDB which

had been convened pursuant to paragraph 3 of UNCTAD resolution 157(VI) on the compensatory financing of export earnings shortfalls. However, this meeting was a mere agreement requesting the Secretary-General of UNCTAD to convene in early 1986 an Intergovernmental Group of Experts (IGE) which, in the light of the inputs requested from States members of UNCTAD, the UNCTAD Secretariat, and the United Nations Regional Commissions were to submit written comments on the Expert Group's report. 1/ The IGE would then further debate the issue of a possible new facility.

8. What these experiences have demonstrated is that UNCTAD is like all other international economic fora being plagued by the inability to implement its own decisions or resolutions even where there is a general consensus. There is therefore an agreement among African countries about the urgent need to develop new measures for effective follow up and monitoring the implementation of decisions and recommendations adopted within UNCTAD. To achieve this, it is not necessary to create new structures and some of the old structures, including the permanent committees, can be modified to meet this new need. The African Government policy-makers are therefore urged to initiate early action on issues which should be addressed during UNCTAD VII taking account of the experience with previous sessions of UNCTAD.

III. RESUME OF NEGOTIATIONS AND CONCLUSION OF LOME III

9. The relations between the African, Caribbean and Pacific (ACP) states and the European Economic Community (EEC) under the various Lomé Conventions continue to generate a considerable amount of public interest and controversy. Basically, this is because it covers a great number of issues on which no full agreement has ever been reached between the developing and developed countries. Negotiations for the Successor Arrangement to the Lomé II Convention started in Luxembourg in October 1983 and were concluded in Lomé in December 1984. The Lomé III Convention brings together 66 ACP states on one hand and by January 1986, 12 EEC states on the other hand. This Convention differs from other international fora such as UNCTAD by virtue of its contractual obligations. To the extent that this is so, the developing countries participating in the Convention have access to some forms of redress should they suffer as a result of non-implementation of the agreement.

1/ UNCTAD, Compensatory financing of export earnings shortfalls, TD/B/1029/Rev.1.

10. The negotiations for Lomé III took cognisance of certain shortcomings weighed against its total objectives embodied in the earlier Convention. When the second Ministerial Council of Lomé II met in February 1984 in Brussels, it **inter alia** dealt with issues arising from the meetings of its Ambassadors who had expressed a broad convergence of views on the principles and objectives of co-operation in most sectors. Major areas of disagreement were with regard to the mechanisms of implementation including the criteria of fixing funds for the implementation of the new convenant. The EEC on its part, preferred to defer these issues on the grounds that it was better to await the emergence of an overall picture of future co-operation.

11. It soon became apparent that the EEC did not speak with one voice. In other words, there were some among the EEC members who were strongly opposed to increasing the amount of resources to be made available under the new Convention. Those who favoured increased resources opposed the notion of trade liberalization. This group of EEC countries wished to protect the EEC agricultural products which they considered were in danger of competition from similar ACP exports. The situation was further polarized by the ACP's desire for the preferences to be more than or as equally favourable to those offered to MFN and GSP beneficiaries. The Third ACP-EEC Ministerial Council met in Suva, Fiji from 3 to 5 May 1984 with little progress in narrowing the divergent positions on various aspects of the new provisions. This was followed soon by the fourth ACP-EEC Ministerial Council in Luxembourg at the end of June 1984. Thereafter, the negotiations were conducted by a select contact group until the signing of the Lomé III Convention in Lomé on 8 December 1984.

12. As in other fora, the issue of increased resource flows to developing countries became one of major topics. Table I shows a comparative analysis of the volume of resources earmarked and agreed to sustain the Lomé III Convention as opposed to the Lomé II Convention.

13. As can be seen from the data in table I, the magnitude of resources made available by the Community under Lomé III is considerably higher than under Lomé II. The amount of 8,500 million ECUs allocated under Lomé III though less than the 10,000 million which was requested by the ACP group marks an increase of about 54 per cent on the amount provided under Lomé II. However, a closer analysis of the table shows that despite the global increase in the value of resources allocated to all major elements, the amounts allocated to soft loans and sysmin have relatively declined when considered as a percentage share of the total package. The decline of 2.48 in the percentage shares of soft loans is disturbing particularly when Africa is facing an unprecedented economic crisis.

RESOURCES ALLOCAT

(198

	Value of resources allocated (in million ECUs)		In Lo Lo (i
	Lomé II	Lomé III	
I. EDF			
Grants	2,9[illegible]	4,790	
Soft Loans	5[illegible]	635	
Risk Capital	2[illegible]	635	
Stabex	5[illegible]	925	
Sysmin	2[illegible]	415	
Total	4,645	7,400	
II. EIB			
Subsidised Loans	6[illegible]	1,100	
Ordinary Loans	200	-	
III. Total Resources	5,530	8,500	

Source: Adapted from table by Tony Hill in Lomé

1 ECU = approximately.60 pound sterling or 6.9

TABLE 1

ON UNDER LOME CONVENTIONS

/84-1985/90)

rease of e III over e II r cent)	Percentage share of major components		Percentage Changes from Lomé II over Lomé III
	Lomé II	Lomé III	
59,77	64,54	64,73	+0,19
21,18	11,28	8,58	-2,48
23,59	6,84	8,58	+2,47
66,06	11,99	12,50	+0,51
47,16	6,02	5,61	-0.92
59,31	100.00	100.00	-
60,58	-	-	-
-	-	-	-
53,70	100.00	100.00	-

riefing, No.22, 1985.

French francs.

14. On the basis of these factors, it is doubtful to argue that Lomé III was considerably more advantageous than Lomé II. In other words, taking into account the critical problems facing many ACP countries especially those in Africa, the overall package deal under the Lomé III Convention falls far short of the real and growing needs of these countries.

A. ACP competitiveness in the EEC market

15. The ACP approached the negotations with some concern since they had not faired any better than many non-signatory Third World countries in the area of trade with the EEC under the Lomé II arrangement. A basic problem in this respect was because of the persistence of tariff and non-tariff barriers, especially in relation to ACP agricultural products, that compete with those of the EEC. These are protected under the common criteria for manufactured exports, and the «safeguard clause» which the EEC insists is necessary in case their own economies are seriously disrupted. However, some of the ACP products that compete with EEC products (e.g. beef and sugar) are already covered by special arrangements. The only new development was the increased beef quota to 38,000 tonnes divided among Botswana, Kenya, Swaziland, Tanzania and Zimbabwe. Another important area in terms of trade prospects and trade related services covers the extension of export credits and insurance schemes.

B. Stabilization of Export Earnings Scheme (Stabex)

16. Renegotations of Stabex centred around improving its operational structure and effectiveness. The amoung of 557 ECUs allocated under Lomé II had been insufficient and did not meet most of the legitimate needs of the ACP countries. However, under Lomé III, the amount has been increased to 925 ECUs which represents 66 per cent increase. The number of ACP products which can now benefit has also been increased by 3 from 42 to 45 products. A third eligibility criteria for ACP products has been relaxed*, and the method of calculating transfers has also been considerably improved. An important aspect on which less progress was made relates to the inability to agree on a mechanism for adjustments to take account of losses in value occasioned by inflation.

C. Special financing facility for mining products (Sysmin)

17. The special financing facility for mining products (Sysmin) has been strengthened with increased financial resources from 282 million ECUs (Lomé II) to 415 million ECUs (Lomé III). Its objectives have been refined to incorporate

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* Article 150-3 «At the request of an ACP State which does not send the bulk of its exports to the Community ... the system shall apply to its exports of products in question whatever their destination».

the restoration of the viability of the mining industry in ACP countries, and where this is not possible, to permit the use of funds for economic diversification. 2/ The number of benefitting minerals has been increased with the addition of iron ore previously part of Stabex. A problem which has not been resolved was the desire of the ACP countries to aggregate all minerals products in some countries in order to qualify for benefits from Sysmin.

D. Regional co-operation

18. Regional co-operation under Lomé III has been given due cognizance, and has received increased resources of 1,000 million ECUs as against 621 million ECUs under Lomé II in recognition of its importance by both groups of countries in the promotion of South-South (intra-ACP) co-operation and to their overall economic recovery programmes. Regional co-operation under Lomé III is defined to cover activities between any two or more ACP states and any one or more ACP states or with one or more neighbouring non-ACP states, countries or territories. In other words, there are greater possibilities for any African subregional economic grouping to link some of their activities with those of others on a much wider plane than was hitherto possible under Lomé II. The ACP countries can use the Regional Fund within Lomé III programmes to assist the reinforcement of ACP collective efforts in the area of subregional, regional and interregional co-operation arrangements in close collaboration with activities defined in the Lagos Plan of Action and Caracas Programme of Action adopted by the Group of 77.

IV. AFRICA'S PARTICIPATION IN THE GLOBAL SYSTEM OF TRADE PREFERENCES AMONG DEVELOPING COUNTRIES (GSTP)

19. In response to the decision of the Mexico Conference on Economic Co-operation among Developing Countries held in September 1976 and resolution I(I) of the Committee on Economic Co-operation among Developing Countries, the UNCTAD Secretariat has undertaken a number of studies aimed at elaborating major aspects of a Global System of Trade Preferences among Developing Countries (GSTP). Similarly, the secretariat of ECA has also carried out a number of preliminary studies aimed at providing the basis for detailed examination by government experts from developing countries in their preparatory work for the GSTP negotiations. In the meantime also, the Foreign Ministers of the G.77 adopted in

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2/ Tony Hill, «Lomé II is Dead, Long Live Lomé III», Lomé Briefing No. 22, 1985, p.5.

October 1982, a ministerial Declaration on GSTP setting out the principles, rules and timetable for negotiations. In particular, GSTP is exclusively for members of the Group of 77.

20. The first meeting on GSTP held in May 1983 enabled the participating developing countries to define the nature, scope and the extent of support expected from the UNCTAD secretariat and the regional economic commissions. The meeting also adopted a G-77 proposal requesting UNCTAD to render assistance to developing countries in preparation of their offers and requests collecting and circulating information relevant to the offers and requests of individual countries and group of countries, undertaking special technical studies concerning aspects of overall framework of the proposed system such as rules of origin, safeguards, and making preparations for and servicing meetings of the Negotiating Committee and its subsidiary bodies. 3/ The main aspects of the progress achieved so far are outlined in the next few paragraphs

A. The Technical Group

21. Five initial working papers prepared by the Group of 77 provide a first approximation to rules and negotiations within the Negotiating Committee. These papers were formally adopted as working documents for the Second Meeting of the Negotiating Committee, in May 1984 at which there had been an exploratory exchange of views. All groups participating in the negotiations expressed a willingness to contribute positively in establishing GSTP with a view to facilitating the expansion of trade among developing countries within the broad context of self-reliance and better internal structural development. 4/ It was agreed to hold

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3/ Report of the Meeting enabling the developing countries participating in the negotiations of GSTP inter alia to define the nature, scope and extent of support requested from UNCTAD TD/B/C.7/51, Annex.

4/ Report of the meeting enabling the developing countries participating in the negotiations on global system of trade preferences (GSTP) among developing countries to continue the necessary work towards the establishment of the system, TD/B/C.7/66. The documents were: (a) Suggestions relating to draft rules for the extension of negotiated concessions (TD/B/C.7/AC.2/CRP.1); (b) Draft rules of origin for GSTP (TD/B/C.7/AC.2/CRP.2); (c) Draft rules on safeguards for GSTP (TD/B/C.7/AC.2/CRP.3); (d) Draft procedures for the provisions of special treatment for the least developed countries (TD/B/C.7/AC.2/CRP.4); and (e) The establishment of mechanisms for the bilateral/plurilateral/multilateral negotiations referred to in paragraph 6(a) of the Declaration on GSTP (TD/B/C.7/AC.2/CRP.5)

the third Negotiating Committee meeting in mid October 1984 to enable the negotiating groups to consider in depth any issues arising from the above documents. The process has advanced considerably and the Government of India hosted a GSTP meeting in collaboration with UNCTAD in July 1985 for those developing countries which indicated their willingness to take part in the negotiations and which gave their list of offers or requests for concessions.

B. Assistance by joint ECA/OAU secretariats

22. Technical support has been provided to the African delegations individually and collectively during the meetings of Negotiating Committee pursuant to ECA resolution 317(XIX) calling upon the OAU and ECA secretariats to assist African countries in the preparations for international negotiations and to define a strategy for the negotiations. And also in response to the decision of the Seventh session of the Conference of African Ministers of Trade held in February 1982, the ECA secretariat continued to provide all the necessary assistance to African delegations participating in the global meetings on Economic Co-operation among Developing Countries (ECDC) and to conduct a study to identify those products of interest to African countries and which would be the subject of a global system of Trade Preferences among Developing Countries (GSTP). 5/ The secretariat has also undertaken a preliminary study identifying products of interest to African countries. 6/ The study is intended to assist the African group of countries to negotiate effectively with the possibility of maximizing their mutual interest in the system vis-a-vis other participating regions.

V. AFRICA'S TRADE AND ECONOMIC CO-OPERATION WITH SOCIALIST COUNTRIES OF EASTERN EUROPE 7/

23. The need has long been felt for diversifying Africa's trade channels especially through the development of new trade and economic links with the socialist countries of Eastern Europe. To this end, the Seventh session of the Conference of the African Ministers of Trade urged its member States to make full use of the information provided by ECA secretariat, «for the purpose of devising the best ways and means of developing their trade and economic relations with the socialist countries of Eastern Europe.» It furthermore requested the ECA secretariat

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5/ ECA, Report of the Conference of African Ministers of Trade on its Seventh Session, E/ECA/CM.7/13, pp. 12 and 13.

6/ ECA, Global System of Trade Preferences (GSTP) Negotiations: Products of interest to African countries, E/ECA/TRADE/27.

7/ In the preparation of this chapter, ECA secretariat benefitted greatly from the contribution provided by UNCTAD's Division for Trade with Socialist countries.

with UNDP financial assistance, to continue to give its utmost support to African countries in order to enable them to take full advantage of the existing trade potentials with socialist countries of Eastern Europe. 8/

A. Some recent trends

24. The volume of developing Africa's trade with the socialist countries of Eastern Europe continues to be generally low. Like in the case of trade with the market economies, Africa's exports are predominantly primary commodities and much lower than what the socialist countries of Eastern Europe export to Africa. In other words, socialist countries of Eastern Europe have generally maintained a favourable trade balance while African countries have encountered deficits. The socialist countries of Eastern Europe, with their growing economic and industrial potential can, however, offer additional opportunities in trade, economic and industrial co-operation with African countries.

25. There have been a number of favourable developments in recent years in the field of trade and economic relations between some African countries and the socialist countries of Eastern Europe. For instance, it is worth recalling that although the number of African countries which have established direct commercial and economic contacts with socialist countries in the recent years continues to be rather limited, more countries are seriously exploring possibilities for more effective and mutually beneficial forms of co-operation. Moreover, there has emerged some initiatives and constructive efforts at a bilateral level between the socialist countries of Eastern Europe and several African countries. Perhaps one of the biggest constraints in the development of these bilateral trade and economic relations is the lack of information about the foreign trade systems and modalities of trading practices of the socialist countries.

26. In order to make up for this information gap and assist developing African countries in this field, UNCTAD secretariat, jointly with the Economic Commission for Africa, has been implementing a technical assistance programme comprising training, dissemination of information and advisory services. During the 1980-1984 period, three regional seminars were organized jointly by UNCTAD and ECA secretariats. 9/ These were: (i) A regional seminar for African countries was held in Addis Ababa, Moscow, Budapest and Warsaw from 8 to 30 June 1981; (ii) A regional seminar for African countries took place in Moscow and Sofia from 30 September to 12 October 1982; and (iii) A subregional seminar for 20 Eastern and Southern African countries 10/ was held in Nairobi, Moscow and Berlin from 27 September to 11 October 1984.

8/ ECA, Report of the Conference of African Ministers of Trade on its Seventh Session, Addis Ababa, 1-3 February, E/ECA/CM.8/13, p. 13.

9/ ECA, Summary of trade and economic relations between developing Africa and the socialist countries of Eastern Europe, E/ECA/TRADE/19, September 1984.

10/ Angola, Botswana, Burundi, Ethiopia, Kenya, Lesotho, Madagascar, Mozambique, Rwanda, Seychelles, Somalia, Uganda, the United Republic of Tanzania, Zambia and Zimbabwe.

27. The main objectives of these seminars were inter alia to acquaint the officials and representatives of the business sector with the foreign trade system, trade policies and modalities of trading of the socialist countries of Eastern Europe and to identify new ways of expansion and diversification of trade and economic relations between Africa and these countries. In addition to these regional seminars, the ECA secretariat has also been associated with interregional workshops for trade representatives accredited to the USSR and other socialist countries of Eastern Europe. In January 1985, the ECA secretariat, at the invitation of UNCTAD, participated in the Arab Expert Group meeting which was convened in Moscow to study ways and means for expansion of trade between the two groups of countries and make appropriate recommendations. The ECA's contribution included providing an additional background paper which reviewed not only some of the problems encountered in trade expansion but also made certain suggestions about increasing the trade prospects. 11/

28. Apart from these interregional and regional activities, the ECA has also been associated in national workshops organized by UNCTAD in response to requests received from African countries. Three such national workshops were held in Nigeria, Algeria and Kenya during 1981-1983. Similar national workshops are planned to be organized in the Congo and Zimbabwe, in 1985 with the active participation of ECA.

B. Areas for future co-operation

29. The areas for trade and economic co-operation between Africa and the socialist countries of Eastern Europe need to be fully clarified if this has to be mutually beneficial. This is particularly because the onset of the economic crisis since 1980 has adversely affected the economies of developing African countries and there are yet no meaningful signs of recovery. In the context of this economic situation, trade and economic co-operation between Africa and the socialist countries of Eastern Europe should assume greater importance.

30. The socialist countries of Eastern Europe possess abundant resources for economic and technical assistance to some developing countries towards building their national economies through various economic projects. The export capacity of a majority of the African countries, especially the least developed ones, is rather limited. These countries have specific priorities for trade and economic development; there is an urgent need for building necessary infrastructure for proper exploration of natural resources both in the agricultural and geological sectors. In other words, it is essential to explore ways and means by which to develop industrial, economic and technical co-operation with trade-creating potential.

11/ ECA, Trade and Economic Relations between countries of the North African Subregion and the socialist countries of Eastern Europe, E/ECA/TRADE/23, December 1985.

31. The socialist countries ought to continue to show more flexibility in adopting new instruments and devices, such as barter deals, counter trade, production co-operation, in order to overcome financial constraints of developing countries especially those in the African region. It is possible that with such a change of policy the countries of the African region can in their overall economic interests accord higher priority to expanding trade and economic relations with the socialist countries of Eastern Europe. To this end, fresh initiatives have to be made by both sides to establish and enlarge economic and commercial contacts of a long-term mutually beneficial character.

32. The Conference of Ministers may therefore wish to request the ECA and UNCTAD secretariats to jointly organize an expert meeting or a roundtable meeting of high ranking officials and experts from African and the socialist countries of Eastern Europe to study the most effective ways in which trade flows between the two groups of countries can be enhanced. It should also be required to explore and identify new ways of strengthening existing trade and economic co-operation links in this area.

VI. THE IMPLEMENTATION OF THE COMMON FUND OF THE INTEGRATED PROGRAMME FOR COMMODITIES (IPC) 12/

A. Background, objectives and functions

33. The Integrated Programme for Commodities (IPC) was established during UNCTAD IV and consists of two basic elements: (a) a series of arrangements designed to stabilize and strengthen the markets for a range of products of export interest to developing countries and (b) the establishment of a Common Fund envisaged as the principal source of financing for these arrangements. The main objectives of the Fund are to serve as a key instrument in attaining the agreed objectives of the IPC as embodied in UNCTAD resolution 93(IV), and to facilitate the conclusion and functioning of International Commodity Agreements (ICAs), particularly concerning commodities of special interest to developing countries. The Fund is designed to exercise the following functions:

(a) its First Account is expected to contribute to the financing of international buffer stocks and internationally co-ordinated national stocks within the framework of International Commodity Agreements;

12/ Prepared with contribution received from the Commodities Division of UNCTAD secretariat.

(b) its Second Account is expected to contribute to the financing of measures in the field of commodities such as research and development, productivity improvements, marketing and market promotion, and vertical diversification, and

(c) through promoting co-ordination and consultation with regard to measures in the field of commodities with a view to harmonizing national and international actions for a particular commodity.

B. Conditions for entry into force

34. The Agreement Establishing the Common Fund for Commodities was adopted on 27 June 1980 by the United Nations Negotiating Conference on a Common Fund under the Integrated Programme for Commodities. It was opened for signature in New York in October 1980. Its entry into force was conditional upon the fulfilment of the following three conditions:

(a) ratification by at least 90 States;

(b) that the contribution of these States accounts for at least two thirds of the Fund's Directly Contributed Capital (DCC) of US$470 million;

(c) meeting at least 50 per cent of the target of US$280 million for pledges of voluntary contributions to the Second Account.

35. In the meanwhile, it was decided that necessary work be undertaken for bringing the Fund into operation so that it could actually start immediately after the fulfilment of the above conditions. To this end, a Preparatory Commission, with open-ended membership, was established to prepare draft rules and regulations and other policy instruments of the Fund for submission to its Governing Council at its first session. It was mandated to cover such matters as rules of procedure of the Governing Council and of the Executive Board, rules and regulations governing the operations of the Fund's two accounts, general conditions applicable to association agreements between the Fund and International Commodity Organizations, the administrative budget of the Fund and staff rules and regulations.

36. The Preparatory Commission established two Working Parties: (a) Working Party I dealt with administrative, legal and procedural matters, and (b) Working Party II dealt with operational and financial matters.

37. Working Party I held its first session from 4 to 8 May 1981 and prepared drafts of the rules of procedure of the Governing Council and of the Executive Board and the Rules and Regulations for the Conduct of Business of the Fund. These were considered and finalized - except for a few outstanding matters - by the Preparatory Commission in September 1981.

38. Working Party II at its first session held from 27 to 31 July 1981, discussed the main issues concerning the rules and regulations for First Account operations, on which there was a wide measure of agreement. At its second session held from 14 to 18 December 1981, and at its fourth session held from 22 to 26 March 1982, it considered the draft Model Association Agreement (between the Fund and international commodity organizations) and other related legal instruments as well as the draft rules and regulations for First Account operations. Finally, at its third session held from 25 to 29 January 1982, Working Party II had a preliminary exchange of views on the documents dealing with Rules and Regulations for the Second Account.

39. It is expected that the Preparatory Commission will hold further meetings soon before the entry into force of the Agreement with a view to completing its work and finalizing the necessary documents for submission to the first session of the Governing Council of the Fund.

C. Progress on signatures and ratifications

40. Initially, there was slow progress in the signature and ratification of the Common Fund. In fact, by 31 March 1982, the date stipulated in the Agreement for its entry into force, the Agreement had been ratified by only 25 countries and therefore could not enter into force. This led to the convening of a meeting of those States which had ratified the Agreement in order to decide on a possible extension of the time-limit for entry into force as provided for under Article 57 of the Agreement. The period for the fulfilment of the required conditions was then extended to 30 September 1983. However, as can be seen from Table 2 by 31 May 1985, the Agreement had been signed by 113 countries accounting for 79.5 per cent of the Directly Contributed Capital (DCC) and had been ratified by 84 countries accounting for 50.37 per cent of the Directly Contributed Capital.

Table 2

Common Fund: Progress of signature and ratification as of 31 May 1985

Regional Group	Total membership	Signed and ratified	Signed	Have not yet taken any action
Group B	24	17*	6*	1
Group D	7	0	0	7
Other countries	9	0	0	9
China	1	1	0	0
Group of 77	(122)	(66)	(23)	(33)
of which:				
Africa	50	37	7	6
Latin America	31	9	12	10
Asia	41	20	4	17
Total	163	84	29	50

* Since writing this paper, Belgium a member of Group B had ratified the Agreement.

41. Nearly five years will have elapsed since the adoption of the Agreement and only one of the three conditions for its entry into force has been met. Part of this because conditions laid down were quite interactable. For instance, it is rare for an International Agreement or Treaty to require ratification of such a very large number of countries before it can enter into force. Similarly, the condition relating to two thirds of the capital makes entry into force dependent upon ratification by either one of the two countries holding the largest shares of the capital or at least a total of 125 out of 163 countries. No single developing country accounts for 1 per cent of the Fund's capital. The highest percentage of the developing countries range from 0.36 to 0.96 per cent, and these are very few in number and do not exceed more than fifteen of a total of 122 countries. Not surprising therefore, the two super powers hold the key to the fulfilment of conditions for entry into force of the Agreement. For instance, the USA alone accounts for 15.71 per cent and similarly the USSR alone for above 6 per cent of the DCC of the Fund. The two major contributing countries (the USA and the USSR) are holding back progress towards entry into force of the Agreement. The fact that the USA signed the Agreement in 1980 but has not ratified has contributed to this lack of progress. The USSR and all the other socialist countries of Eastern Europe have neither signed nor ratified the Agreement, yet continuing to pay lip service about their concern with the plight of developing countries.

42. At the African level, there were still thirteen countries by 31 May 1985 which had yet to take all needed appropriate action. For instance, Angola, Congo, Djibouti, Liberia, Madagascar, Morocco and Mozambique have only signed but not ratified the Agreement. The other group of countries consisting of the Ivory Coast, Libyan Arab Jamahiriya, Mauritania, Mauritius, Seychelles and Swaziland have yet to sign let alone ratify the Agreement. Among those African countries which have not yet deposited their instrument of ratification of the Agreement, two are beneficiaries of the OPEC offer (Djibouti and Mauritania) and four others (Angola, Madagascar, Mozambique and Swaziland) are beneficiaries of Norway's offer.

43. The Common Fund can only come into operation through persuasion of the USA and the USSR. Towards this end, the African Group either acting alone or in concert with other members of the Group of 77 should intensify their lobbying to persuade the two super powers to bring the Fund into operation without further delay. Needless to say, those of the African countries which have not yet signed and/or ratified the Agreement should be urged to do so. A recommendation should also be adopted calling upon the other developing regions to persuade their respective members to also sign and/or ratify the Agreement within the spirit of collective self-reliance expressed in the Caracas Programme of Action and the New International Economic Order.

VII. CONCLUSIONS

44. As can be seen from this text, the international economic environment has continued to be particularly unfavourable to African countries. The prices of commodities of major export interest to Africa, which collapsed in 1980, continue to be depressed, the terms of trade and balance-of-payments of most African countries continue to be adverse; export earnings are declining relative to import bills which are increasing; transnational corporations which control some of these primary commodities continue to resist programmes for increased processing of these commodities which is seen by African governments as the most effective way of increasing the value added and hence export earnings. In addition to all these adverse factors, the widerspread drought and other natural calamities have dealt a heavy blow on agricultural production.

45. In order to combat these problems, the African group in international negotiations have and continue to press for new agreements and programmes to deal with the commodity and trade issues. The future of Africa's trade depends to a large extent on the perceptions of the African policy makers and on their negotiating capacity and skills in any new round of negotiations. Africa must persuade not only the industrialized countries but also the other members of the Group of 77 that unless the commodity issue is fully addressed and resolved, the present economic and social crisis facing Africa will continue for a long time. Consequently, a start should be made to devise a new strategy for negotiations for UNCTAD VII as well as within the GATT. With respect to the ACP-EEC Lomé III Convention, more effective programmes for monitoring and evaluating its implementation should be agreed without delay in order to ensure that Africa derives maximum benefit from this Convention.